

OFFICIAL GAZETTE

GOVERNMENT OF GOA, DAMAN AND DIU

EXTRAORDINARY

No. 2

GOVERNMENT OF GOA, DAMAN AND DIU

Law Department (Legal Advice)

Notification

LD/5135/77

The following Central Act The Finance (No. 2) Act, 1977 (Act No. 29 of 1977) which was recently passed by the Parliament and assented to by the President of India on 8-8-77 and published in the Gazette of India Part II, Section I dated 8-8-77 is hereby republished for general information of the public.

B. S. Subbanna, Under Secretary (Law).

Panaji, 24th November, 1977.

The Finance (No. 2) Act, 1977

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The Finance (No. 2) Act, 1977

AN

ACT

to give effect to the financial proposals of the Central Government for the financial year 1977-78.

Be it enacted by Parliament in the Twenty-eighth Year of the Republic of India as follows:—

CHAPTER I

Preliminary

1. *Short title and commencement.*— (1) This Act may be called the Finance (No. 2) Act, 1977.

(2) Save as otherwise provided in this Act, sections 2 to 30 and sections 34 to 39 shall be deemed to have into force on the 1st day of April, 1977.

CHAPTER II

Rates of Income-Tax

2. *Income-tax.*— (1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1977, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased,—

(a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge,

calculated in each case in the manner provided therein:

Provided that where an assessee, being a company, has made, during the financial year commencing on the 1st day of April, 1976, any deposit with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 under the Companies Deposits (Surcharge on Income-tax) Scheme, 1976, then, the surcharge on income-tax payable by the company,—

(a) in a case where the amount of the deposit so made is equal to or exceeds the amount of surcharge on income-tax payable by it, shall be nil; and

(b) in a case where the amount of the deposit so made falls short of the amount of surcharge on income-tax payable by it, shall be reduced by the amount of the deposit.

(2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the

previous year, any net agricultural income, in addition to total income, and the total income exceeds eight thousand rupees, then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income (it without being liable to tax), only for the purpose of charging income-tax in respect of the total income; and

(b) the income-tax chargeable shall be calculated as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(ii) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income;

(iii) the amount by which income-tax determined in accordance with sub-clause (i) exceeds the amount of income-tax determined in accordance with sub-clause (ii) shall be the income-tax chargeable in respect of the total income.

(3) In cases to which the provisions of Chapter XII or section 164 of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(5) Subject to the provisions of sub-section (6), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule:

Provided that in cases to which the provisions of Chapter XII or section 164 of the Income-tax Act

apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be.

(6) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income, in addition to total income, and the total income exceeds ten thousand rupees, then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force, —

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and

(b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows: —

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income:

Provided that for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (ii) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(ii) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income:

Provided that for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (i) and clause (ii) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax

or, as the case may be, "advance tax" determined in accordance with sub-clause (ii):

Provided that where the sum so arrived at exceeds seventy per cent. of the amount by which the total income exceeds ten thousand rupees, the excess shall be disregarded;

(iv) the amount of income-tax or "advance tax" determined in accordance with sub-clause (iii) shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax or, as the case may be, "advance tax" and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

(7) For the purposes of this section and the First Schedule, —

(a) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act;

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1977, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act;

(c) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation. — For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income;

(d) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance);

(e) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule;

(f) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(g) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

CHAPTER III

Direct Taxes

Income-tax

3. *Amendment of section 2.* — In section 2 of the Income-tax Act, in clause (42A), for the words "sixty months", the words "thirty-six months" shall be substituted with effect from the 1st day of April, 1978.

4. *Amendment of section 9.* — In section 9 of the Income-tax Act, in sub-section (1), —

(a) after clause (vii) and before the *Explanation*, the following proviso shall be inserted, namely: —

"Provided that nothing contained in this clause shall apply in relation to any income by way of fees for technical services payable in pursuance of an agreement made before the 1st day of April, 1976 and approved by the Central Government.";

(b) the *Explanation* below clause (vii) shall be numbered as *Explanation 2* and before that *Explanation* as so numbered, the following *Explanation* shall be inserted, namely: —

"*Explanation 1.* — For the purposes of the foregoing proviso, an agreement made on or after the 1st day of April, 1976 shall be deemed to have been made before that date if the agreement is made in accordance with proposals approved by the Central Government before that date."

5. *Amendment of section 10.* — In section 10 of the Income-tax Act, —

(a) in clause (6), in sub-clause (i), after item (a), the following item shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1972, namely: —

"(aa) from his employer, for his children having full time education in any educational institution outside India, in connection with their proceeding to India during vacation;"

(b) in clause (26A), for the figures, letters and words "1st day of April, 1975", the figures, letters and words "1st day of April, 1980" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1975.

6. *Amendment of section 11.* — In section 11 of the Income-tax Act, in clause (b) of sub-section (2), with effect from the 1st day of April, 1978, —

(a) for sub-clause (ii), the following sub-clause shall be substituted, namely: —

"(ii) deposited in any account with the Post Office Savings Bank [including deposits made under the Post Office (Time Deposits) Rules, 1970] or a scheduled bank or a co-operative society engaged in carrying on the business of

banking (including a co-operative land mortgage bank or a co-operative land development bank):

Provided that the money so accumulated or set apart may also be deposited, or continue to remain deposited, during any previous year commencing before the 1st day of April, 1981 with any other banking company, being a banking company to which the Banking Regulation Act, 1949 applies, or";

10 of 1949.

(b) after sub-clause (iii), the following *Explanation* shall be inserted, namely: —

"*Explanation.* — For the purposes of sub-clause (ii), "scheduled bank" means the State Bank of India constituted under the State Bank of India Act, 1955, a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959, a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, or any other bank, being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934."

23 of 1955.

38 of 1959.

5 of 1970.

2 of 1934.

7. *Amendment of section 13.* — In section 13 of the Income-tax Act, with effect from the 1st day of April, 1978, —

(a) in sub-section (1), in clause (d), —

(i) for the figures, letters and words "1st day of April, 1979", the figures, letters and words "1st day of April, 1982" shall be substituted;

(ii) for the figures, letters and words "1st day of April, 1978", the figures, letters and words "1st day of April, 1981" shall be substituted;

(b) in sub-section (5), in clause (a), for sub-clause (iii), the following sub-clause shall be substituted, namely: —

"(iii) deposit in any account with a scheduled bank or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank).

Explanation. — In this sub-clause, "scheduled bank" shall have the same meaning as in the *Explanation* at the end of clause (b) of sub-section (2) of section 11."

8. *Amendment of section 24.* — In section 24 of the Income-tax Act, in sub-section (1), —

(a) in clause (ix), the word "and" occurring at the end shall be omitted;

(b) after clause (ix) as so amended, the following *Explanation* shall be inserted, namely: —

"*Explanation.* — The deduction under this clause shall be made irrespective of whether the period during which the property or, as the case may be, part of the property was vacant precedes or follows the period during which it is let;"

9. *Amendment of section 32A.*—In section 32A of the Income-tax Act, with effect from the 1st day of April, 1978, —

(a) in sub-section (2), —

(i) in clause (b), for sub-clauses (ii) and (iii), the following sub-clauses shall be substituted, namely: —

“(ii) in a small-scale industrial undertaking for the purposes of business of manufacture or production of any article or thing; or

(iii) in any other industrial undertaking for the purposes of business of construction, manufacture or production of any article or thing, not being an article or thing specified in the list in the Eleventh Schedule.”;

(ii) in the *Explanation*, for the words, brackets and figure “this sub-section and sub-section (4)”, the words, brackets, figures and letter “this sub-section and sub-sections (2B) and (4)” shall be substituted;

(b) after sub-section (2), the following sub-sections shall be inserted, namely: —

“(2A) The deduction under sub-section (1) shall not be denied in respect of any machinery or plant installed and used mainly for the purposes of business of construction, manufacture or production of any article or thing, not being an article or thing specified in the list in the Eleventh Schedule, by reason only that such machinery or plant is also used for the purposes of business of construction, manufacture or production of any article or thing specified in the said list.

“(2B) Where any new machinery or plant is installed after the 30th day of June, 1977, but before the 1st day of April, 1982, for the purposes of business of manufacture or production of any article or thing and such article or thing —

(a) is manufactured or produced by using any technology (including any process) or other know-how developed in, or

(b) is an article or thing invented in, a laboratory owned or financed by the Government, or a laboratory owned by a public sector company or a University or by an institution recognised in this behalf by the prescribed authority,

the provisions of sub-section (1) shall have effect in relation to such machinery or plant as if for the words “twenty-five per cent.”, the words “thirty-five per cent.” had been substituted, if the following conditions are fulfilled, namely: —

(i) the right to use such technology (including any process) or other know-how or to manufacture or produce such article or thing has been acquired from the owner of such laboratory or any person deriving title from such owner;

(ii) the assessee furnishes, along with his return of income for the assessment year for which the deduction is claimed, a certificate from the prescribed authority to the effect that such article or thing is manufactured or produced by using such technology (including any process) or other know-how developed in such laboratory

or is an article or thing invented in such laboratory; and

(iii) the machinery or plant is not used for the purpose of business of manufacture or production of any article or thing specified in the list in the Eleventh Schedule.

Explanation.—For the purposes of this sub-section, —

(a) “laboratory financed by the Government” means a laboratory owned by any body (including a society registered under the Societies Registration Act, 1860) and financed wholly or mainly by the Government; 21 of 1860.

(b) “public sector company” means any corporation established by or under any Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956; 1 of 1956.

(c) “University” means a University established or incorporated by or under a Central, State or Provincial Act and includes an institution declared under section 3 of the University Grants Commission Act, 1956 to be a University for the purposes of that Act.; 3 of 1956.

(c) after sub-section (8), the following sub-section shall be inserted, namely: —

“(8A) The Central Government, if it considers necessary or expedient so to do, may, by notification in the Official Gazette, omit any article or thing from the list of articles or things specified in the Eleventh Schedule.”.

10. *Insertion of new section 35CC.*—In the Income-tax Act, after section 35C, the following section shall be inserted with effect from the 1st day of September, 1977, namely: —

“35CC. *Rural Development Allowance.*—(1) Where the assessee, being a company or a co-operative society, incurs any expenditure on any programme of rural development, the assessee shall, in accordance with and subject to the provisions of this section, be allowed a deduction of the amount of such expenditure incurred during the previous year:

Provided that the approval of the prescribed authority has been obtained by the assessee in respect of such programme before incurring the expenditure.

Explanation.—For the purposes of this sub-section, —

(a) “programme of rural development” includes any programme for promoting the social and economic welfare of, or the uplift of, the public in any rural area;

(b) “rural area” means any area other than —

(i) an area which is comprised within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee, town committee or by any other name) or a

cantonment board and which has a population of not less than ten thousand according to the last preceding census of which the relevant figures have been published before the first day of the previous year; or

(ii) an area within such distance, not being more than fifteen kilometres, from the local limits of any municipality or cantonment board referred to in sub-clause (i), as the Central Government may, having regard to the stage of development of such area (including the extent of, and scope for, urbanisation of such area) and other relevant considerations, specify in this behalf by notification in the Official Gazette.

(2) Where the expenditure referred to in sub-section (1) results in the acquisition or creation of an asset, being building, machinery, plant or furniture, and the assessee does not divest itself of the ownership of such asset before the end of the previous year, no deduction in respect of such expenditure shall be allowed under sub-section (1) but the assessee shall be entitled to the allowance for depreciation in respect of the asset so acquired or created as if such asset was used for the purposes of the business and the provisions of sections 32, 34, 41 and 43 shall, so far as may be, apply accordingly.

(3) No deduction shall be allowed in respect of the expenditure referred to in sub-section (1) unless the assessee furnishes, along with the return of income for the assessment year for which the deduction is claimed, a statement of such expenditure in the prescribed form duly signed and verified by an accountant as defined in the *Explanation* below sub-section (2) of section 288 and setting forth such particulars as may be prescribed.

(4) Where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such expenditure under any other provision of this Act for the same or any other assessment year.

11. *Amendment of section 36.* — In section 36 of the Income-tax Act, in sub-section (1), for sub-clause (b) of clause (viii), the following sub-clause shall be substituted with effect from the 1st day of April, 1978, namely: —

“(b) in the case of any other financial corporation, twenty-five per cent.”.

12. *Amendment of section 50.* — In section 50 of the Income-tax Act, in clause (2), for the figures, letters and words “1st day of January, 1954” the figures, letters and words “1st day of January, 1964” shall be substituted with effect from the 1st day of April, 1978.

13. *Insertion of new section 54E.* — In the Income-tax Act, after section 54D, the following section shall be inserted with effect from the 1st day of April, 1978, namely: —

“54E. *Capital gain on transfer of capital assets not to be charged in certain cases.* — (1) Where the capital gain arises from the transfer of a capital asset, not being a short-term capital asset, (the capital asset so transferred being hereafter

in this section referred to as the original asset) and the assessee has, within a period of six months after the date of such transfer, invested or deposited the full value of the consideration or any part thereof received or accruing as a result of such transfer in any specified asset (such specified asset being hereafter in this section referred to as the new asset), the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say, —

(a) if the cost of the new asset is not less than the full value of the consideration received or accruing in respect of the original asset, the whole of such capital gain shall not be charged under section 45;

(b) if the cost of the new asset is less than the full value of the consideration received or accruing in respect of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of acquisition of the new asset bears to the full value of such consideration shall not be charged under section 45.

Explanation 1. — For the purposes of this sub-section, “specified asset” means any of the following assets, namely: —

(i) securities of the Central Government or a State Government;

(ii) savings certificates as defined in clause (c) of section 2 of the Government Savings Certificates Act, 1959; 46 of 1959.

(iii) units in the Unit Trust of India established under the Unit Trust of India Act, 1963; 52 of 1963.

(iv) debentures specified by the Central Government for the purposes of clause (ii) of sub-section (1) of section 80L;

(v) shares in any Indian company which are issued to the public or are listed in a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and any rules made thereunder; 42 of 1956.

(vi) deposits for a period of not less than three years with the State Bank of India established under the State Bank of India Act, 1955 or any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 or any nationalised bank, that is to say, any corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank). 23 of 1955.

38 of 1959.

5 of 1970.

Explanation 2. — “Cost” in relation to any new asset, being a deposit referred to in clause (vi) of *Explanation 1*, means the amount of such deposit.

(2) Where the new asset is transferred, or converted (otherwise than by transfer) into money,

within a period of three years from the date of its acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such new asset as provided in clause (a) or, as the case may be, clause (b), of sub-section (1) shall be deemed to be income chargeable under the head "Capital gains" relating to capital assets other than short-term capital assets of the previous year in which the new asset is transferred or converted (otherwise than by transfer) into money.'

14. *Amendment of section 55.* — In section 55 of the Income-tax Act, for the figures, letters and words "1st day of January, 1954", wherever they occur, the figures, letters and words "1st day of January, 1964" shall be substituted with effect from the 1st day of April, 1978.

15. *Insertion of new section 72A.* — In the Income-tax Act, after section 72, the following section shall be inserted, with effect from the 1st day of April, 1978, namely: —

"72A. *Provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in certain cases of amalgamation.* — (1) Where there has been an amalgamation of a company owning an industrial undertaking or a ship with another company and the Central Government, on the recommendation of the specified authority, is satisfied that the following conditions are fulfilled, namely: —

(a) the amalgamating company was not, immediately before such amalgamation, financially viable by reason of its liabilities, losses and other relevant factors;

(b) the amalgamation was in the public interest; and

(c) such other conditions as the Central Government may, by notification in the Official Gazette, specify, to ensure that the benefit under this section is restricted to amalgamations which would facilitate the rehabilitation or revival of the business of the amalgamating company,

then, the Central Government may make a declaration to that effect, and, thereupon, notwithstanding anything contained in any other provision of this Act, the accumulated loss and the unabsorbed depreciation of the amalgamating company shall be deemed to be the loss or, as the case may be, allowance for depreciation of the amalgamated company for the previous year in which the amalgamation was effected, and the other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.

(2) Notwithstanding anything contained in sub-section (1), the accumulated loss shall not be set off or carried forward and the unabsorbed depreciation shall not be allowed in the assessment of the amalgamated company unless the following conditions are fulfilled, namely: —

(i) during the previous year relevant to the assessment year for which such set off or allowance is claimed, the business of the amalgamating company is carried on by the amalgamated company without any modification or reorganisation or with such modification or reorganisa-

tion as may be approved by the Central Government to enable the amalgamated company to carry on such business more economically or more efficiently;

(ii) the amalgamated company furnishes, along with its return of income for the said assessment year, a certificate from the specified authority to the effect that adequate steps have been taken by that company for the rehabilitation or revival of the business of the amalgamating company.

Explanation. — In this section, —

(a) "accumulated loss" means so much of the loss of the amalgamating company under the head "Profits and gains of business or profession" (not being a loss sustained in a speculation business) which the amalgamating company would have been entitled to carry forward and set off under the provisions of section 72 if the amalgamation had not been effected;

(b) "specified authority" means such authority as the Central Government may, by notification in the Official Gazette, specify for the purposes of this section;

(c) "unabsorbed depreciation" means so much of the allowance for depreciation of the amalgamating company which remains to be allowed and which would have been allowed to the amalgamating company under the provisions of this Act if the amalgamation had not been effected.'

16. *Amendment of section 80G.* — In section 80G of the Income-tax Act, in sub-section (4), with effect from the 1st day of April, 1978, —

(a) for the words "two hundred thousand rupees", the words "five hundred thousand rupees" shall be substituted;

(b) the proviso shall be omitted.

17. *Amendment of section 80HH.* — In section 80HH of the Income-tax Act, after sub-section (9), the following sub-section shall be inserted with effect from the 1st day of April, 1978, namely: —

"(9A) Where a deduction in relation to the profits and gains of a small-scale industrial undertaking to which section 80HHA applies is claimed and allowed under that section for any assessment year, deduction in relation to such profits and gains shall not be allowed under this section for the same or any other assessment year."

18. *Insertion of new section 80HHA.* — In the Income-tax Act, after section 80HH, the following section shall be inserted with effect from the 1st day of April, 1978, namely: —

"80HHA. — *Deduction in respect of profits and gains from newly established small-scale industrial undertakings in certain areas.* — (1) Where the gross total income of an assessee includes any profits and gains derived from a small-scale industrial undertaking to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to twenty per cent. thereof.

(2) This section applies to any small-scale industrial undertaking which fulfils all the following conditions, namely:—

(i) it begins to manufacture or produce articles after the 30th day of September, 1977 in any rural area;

(ii) it is not formed by the splitting up, or the reconstruction, of a business already in existence:

Provided that this condition shall not apply in respect of any small-scale industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

(iii) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose;

(iv) it employs ten or more workers in a manufacturing process carried on with the aid of power, or employs twenty or more workers in a manufacturing process carried on without the aid of power.

Explanation.—Where in the case of a small-scale industrial undertaking, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent. of the total value of the machinery or plant used in the business, then, for the purposes of clause (iii) of this sub-section, the condition specified therein shall be deemed to have been fulfilled.

(3) The deduction specified in sub-section (1) shall be allowed in computing the total income in respect of each of the ten assessment years beginning with the assessment year relevant to the previous year in which the small-scale industrial undertaking begins to manufacture or produce articles.

(4) Where the assessee is a person, other than a company or a co-operative society, the deduction under sub-section (1) shall not be admissible unless the accounts of the small-scale industrial undertaking for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an accountant as defined in the *Explanation* below sub-section (2) of section 288 and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

(5) The provisions of sub-sections (6) and (7) of section 80HH shall, so far as may be, apply in relation to the computation of the profits and gains of a small-scale industrial undertaking for the purposes of the deduction under this section as they apply in relation to the computation of the profits and gains of an industrial undertaking for the purposes of the deduction under that section.

(6) In a case where the assessee is entitled also to the deduction under section 80J in relation to the profits and gains of a small-scale industrial

undertaking to which this section applies, effect shall first be given to the provisions of this section.

(7) Where a deduction in relation to the profits and gains of a small-scale industrial undertaking to which section 80HH applies is claimed and allowed under that section for any assessment year, deduction in relation to such profits and gains shall not be allowed under this section for the same or any other assessment year.

(8) Nothing contained in this section shall apply in relation to any small-scale industrial undertaking engaged in mining.

Explanation.—For the purposes of this section,—

(a) “rural area” shall have the same meaning as in clause (b) of the *Explanation* to sub-section (1) of section 35CC;

(b) an industrial undertaking shall be deemed to be a small-scale industrial undertaking, if the aggregate value of the machinery and plant (other than tools, jigs, dies and moulds) installed, as on the last day of the previous year, for the purposes of the business of the undertaking does not exceed ten lakh rupees; and for this purpose the value of any machinery or plant shall be,—

(i) in the case of any machinery or plant owned by the assessee, the actual cost thereof to the assessee; and

(ii) in the case of any machinery or plant hired by the assessee, the actual cost thereof as in the case of the owner of such machinery or plant.

19. *Substitution of new section for section 80RRA.*—For section 80RRA of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1978, namely:—

‘80RRA. *Deduction in respect of remuneration received for services rendered outside India.*—(1) Where the gross total income of an individual who is a citizen of India includes any remuneration received by him in foreign currency from any employer (being a foreign employer or an Indian concern) for any service rendered by him outside India, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the individual, a deduction from such remuneration of an amount equal to fifty per cent. thereof:

Provided that where the individual renders continuous service outside India under or for such employer for a period exceeding thirty-six months, no deduction under this section shall be allowed in respect of the remuneration for such service relating to any period after the expiry of the thirty-six months aforesaid.

(2) The deduction under this section shall be allowed—

(i) in the case of an individual who is or was, immediately before undertaking such service, in the employment of the Central Government or any State Government, only if such service is sponsored by the Central Government;

(ii) in the case of any other individual, only if he is a technician and the terms and conditions of his service outside India are approved in this behalf by the Central Government or the prescribed authority.

Explanation.—For the purposes of this section—

(a) "foreign currency" shall have the meaning assigned to it in the Foreign Exchange Regulation Act, 1973;

46 of 1973.

(b) "foreign employer" means,—

(i) the Government of a foreign State; or

(ii) a foreign enterprise; or

(iii) any association or body established outside India;

(c) "technician" means a person having specialised knowledge and experience in—

(i) constructional or manufacturing operations or mining or the generation or distribution of electricity or any other form of power; or

(ii) agriculture, animal husbandry, dairy farming, deep sea fishing or ship building; or

(iii) public administration or industrial or business management; or

(iv) accountancy; or

(v) any field of natural or applied science (including medical science) or social science; or

(vi) any other field which the Board may prescribe in this behalf,

who is employed in a capacity in which such specialised knowledge and experience are actually utilised.

20. *Amendment of section 104.*—In section 104 of the Income-tax Act, for sub-section (4), the following sub-section and *Explanation* shall be substituted with effect from the 1st day of April, 1978, namely:—

"(4) Without prejudice to the provisions of section 108, nothing contained in this section shall apply to—

(a) an Indian company whose business consists mainly in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power;

(b) a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India.

Explanation.—For the purposes of clause (a) of this sub-section, the business of a company shall be deemed to consist mainly in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power, if the income attributable to any of the aforesaid activities included in its gross total income for the relevant previous year is not less than fifty-one per cent. of such total income."

21. *Amendment of section 109.*—In section 109 of the Income-tax Act, with effect from the 1st day of April, 1978,—

(a) clause (ia) shall be omitted;

(b) in clause (iii),—

(i) in sub-clause (1), for the words "an industrial company or a consultancy service company", the words "a consultancy service company" shall be substituted;

(ii) for sub-clause (3), the following sub-clause shall be substituted, namely:—

"(3) in the case of an Indian company, not being an Indian company referred to in clause (a) of sub-section (4) of section 104 or a consultancy service company, a part of whose gross total income consists of profits and gains attributable to—

(i) the business of construction of ships or of manufacture or processing of goods or of mining or of generation or distribution of electricity or any other form of power; or

(ii) the business of provision of technical know-how, or of rendering services in connection with the provision of technical know-how, to other persons—

(a) in relation to that part of its gross total income as is attributable to the business referred to in item (i) of this sub-clause Nil;

(b) in relation to that part of its gross total income as is attributable to the business referred to in item (ii) of this sub-clause 45 %;

(c) in relation to the remaining part of its gross total income—

(1) if it is an investment company or a company which satisfies the conditions specified in sub-clause (4) (a) of this clause 90%;

(2) in any other case 60%.

Explanation.—The provisions of this Chapter shall apply as if each of the aforesaid parts of the gross total income of the company were the gross total income of the company in relation to that part and as if the amount of dividends actually distributed and the distributable income were also similarly apportioned for the purposes of section 104 and this section."

22. *Amendment of section 115A.*—In section 115A of the Income-tax Act, with effect from the 1st day of April, 1978,—

(a) in sub-section (1), for the words, brackets and figure "Subject to the provisions of sub-section (2)", the words, brackets, figures and letter "Subject to the provisions of sub-sections (1A) and (2)" shall be substituted;

(b) after sub-section (1), the following sub-section shall be inserted, namely:—

"(1A) Where the royalty referred to in clause (b) of sub-section (1) is in consideration for the transfer of all or any rights (including

the granting of a licence) in respect of copy-right in any book to an Indian concern, the provisions of sub-section (1) shall apply in relation to such royalty as if the words "and approved by the Central Government" occurring in the said clause had been omitted:

Provided that such book is on a subject, the books on which are permitted, according to the Import Trade Control Policy of the Government of India for the period commencing from the 1st day of April, 1977 and ending with the 31st day of March, 1978, to be imported into India under an Open General Licence.

Explanation.—In this sub-section, "Open General Licence" means an Open General Licence issued by the Central Government in pursuance of the Imports (Control) Order, 1955.

23. *Amendment of section 155.*—In section 155 of the Income-tax Act, after sub-section (10), the following sub-section shall be inserted with effect from the 1st day of April, 1978, namely:—

"(10A) Where in the assessment for any year, a capital gain arising from the transfer of a capital asset, not being a short-term capital asset, is charged to tax and within a period of six months after the date of such transfer, the assessee has made any investment or deposit in any specified asset within the meaning of *Explanation 1* to sub-section (1) of section 54E, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of the capital gain not chargeable to tax under the provisions of section 54E, and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the date of the assessment."

24. *Amendment of section 194.*—In section 194 of the Income-tax Act, with effect from the 1st day of October, 1977,—

(a) in the proviso, for the words "Provided that", the words "Provided further that" shall be substituted;

(b) before the proviso as so amended, the following proviso shall be inserted, namely:—

"Provided that no such deduction shall be made in the case of any shareholder, not being a company, if—

(a) the shareholder is resident in India;

(b) the amount of such dividend does not exceed two hundred and fifty rupees; and

(c) the shareholder furnishes to the person responsible for paying the dividend a statement in writing in the prescribed form and verified in the prescribed manner declaring that his estimated total income of the previous year in which such dividend is to be included under the provisions of section 8 will be less than the minimum liable to income-tax."

25. *Insertion of new section 206B.*—In the Income-tax Act, after section 206A and before the heading "C.—Advance payment of tax", the following sec-

tion shall be inserted with effect from the 1st day of October, 1977, namely:—

"206B. *Person paying dividend to certain residents without deduction of tax to furnish prescribed return.*—Any person responsible for paying any dividend referred to in section 194 shall prepare, and within thirty days from the 31st day of March in each year, deliver or cause to be delivered to the Income-tax Officer in the prescribed form and verified in the prescribed manner, a return in writing showing—

(a) the name and address of every person who has furnished to him a statement under the first proviso to section 194;

(b) the amount of the dividend paid or distributed during the financial year to each such person; and

(c) such other particulars as may be prescribed."

26. *Amendment of section 208.*—In section 208 of the Income-tax Act, in sub-section (2), for clause (c), the following clause shall be substituted with effect from the 1st day of September, 1977, namely:—

"(c) in any other case — Rs.10,000."

27. *Amendment of section 273.*—In section 273 of the Income-tax Act, with effect from the 1st day of September, 1977,—

(a) in clause (a), for the words and figures "has furnished under section 212", the words, brackets and figures "has furnished under sub-section (1) or sub-section (2) or sub-section (3) of section 212" shall be substituted;

(b) after clause (a), the following clause shall be inserted, namely:—

"(aa) has furnished under sub-section (3A) of section 212 an estimate of the advance tax payable by him which he knew or had reason to believe to be untrue, or";

(c) after clause (i), the following clause shall be inserted, namely:—

"(ia) which, in the case referred to in clause (aa), shall not be less than ten per cent. but shall not exceed one and a half times the amount by which the tax actually paid during the financial year immediately preceding the assessment year under the provisions of Chapter XVII-C falls short of seventy-five per cent. of the assessed tax as defined in sub-section (5) of section 215;"

(d) the following *Explanation* shall be inserted at the end, namely:—

"*Explanation.*—For the purposes of clause (ia), the amount paid by the assessee on or before the date extended by the Commissioner under the proviso to sub-section (3A) of section 212 shall, where the date so extended falls beyond the financial year immediately preceding the assessment year, also be regarded as tax actually paid during that financial year."

28. *Insertion of new Eleventh Schedule.*—In the Income-tax Act, after the Tenth Schedule, the fol-

lowing Schedule shall be inserted with effect from the 1st day of April, 1978, namely: —

THE ELEVENTH SCHEDULE

(See section 32A)

List of articles or things

1. Beer, wine and other alcoholic spirits.
2. Tobacco and tobacco preparations, such as, cigars and cheroots, cigarettes, biris, smoking mixtures for pipes and cigarettes, chewing tobacco and snuff.
3. Cosmetics and toilet preparations.
4. Tooth paste, dental cream, tooth powder and soap.
5. Aerated waters in the manufacture of which blended flavouring concentrates in any form are used.
6. Confectionery and chocolates.
7. Gramophones, including record players, and gramophone records.
8. Broadcast television receiver sets; radios (including transistor sets); radiograms and tape recorders (including cassette recorders and tape decks).
9. Cinematograph films and projectors.
10. Photographic apparatus and goods.
11. Electric fans.
12. Domestic electrical appliances, not falling under any other item in this list.

Explanation. — “Domestic electrical appliances” means electrical appliances normally used in the household and similar appliances used in places, such as, hotels, restaurants, hostels, offices, educational institutions and hospitals.

13. Household furniture, utensils, crockery and cutlery not falling under any other item in this list.
14. Pressure cookers.
15. Vacuum flasks and other vacuum vessels.
16. Tableware and sanitaryware.
17. Glass and glassware.
18. Chinaware and porcelainware.
19. Mosaic tiles and glazed tiles.
20. Organic surface active agents; surface active preparations and washing preparations whether or not containing soap.
21. Synthetic detergents.
22. Office machines and apparatus such as typewriters, calculating machines, cash registering machines, cheque writing machines, intercom machines and teleprinters.

Explanation. — The expression “Office machines and apparatus” includes all machines and apparatus used in offices, shops, factories, workshops, educational institutions, railway stations, hotels and restaurants for doing office work, for data processing and for transmission and reception of messages.

23. Steel furniture, whether made partly or wholly of steel.

24. Safes, strong boxes, cash and deed boxes and strong room doors.
25. Latex foam sponge and polyurethane foam.
26. Pigments, colours, paints, enamels, varnishes, blacks and cellulose lacquers.
27. Crown corks or other fittings of cork, rubber, polyethylene or any other material.
28. Pilfer-proof caps for packaging or other fittings of cork, rubber polyethylene or any other material.
29. Amplifiers or any other apparatus used for addressing the public.

29. *Consequential amendments to certain sections.* — (1) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, namely: —

(a) in section 44D, in the *Explanation*, —

(i) in clause (a), for the words, brackets and figures “the *Explanation* to clause (vii) of sub-section (1) of section 9”, the words, figures and brackets “*Explanation 2* to clause (vii) of sub-section (1) of section 9” shall be substituted;

(ii) in clause (c), for the words, brackets and figures “the *Explanation* to clause (vi) of sub-section (1) of section 9”, the words, figures and brackets “*Explanation 2* to clause (vi) of sub-section (1) of section 9” shall be substituted;

(b) in section 115A, in the *Explanation* below sub-section (1), —

(i) in clause (a), for the words, brackets and figures “the *Explanation* to clause (vii) of sub-section (1) of section 9”, the words, figures and brackets “*Explanation 2* to clause (vii) of sub-section (1) of section 9” shall be substituted;

(ii) in clause (c), for the words, brackets and figures “the *Explanation* to clause (vi) of sub-section (1) of section 9”, the words, figures and brackets “*Explanation 2* to clause (vi) of sub-section (1) of section 9” shall be substituted.

(2) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act with effect from the 1st day of April, 1978, namely: —

(a) in section 45, for the figures, letters and word “54B and 54D”, the figures, letters and word “54B, 54D and 54E” shall be substituted;

(b) in sub-section (3) of section 80A, after the word, figures and letters “section 80HH”, the words, figures and letters “or section 80HHA” shall be inserted;

(c) in section 80J, after the word, figures and letters “section 80HH”, at both the places where they occur, the words, figures and letters “or section 80HHA” shall be inserted;

(d) in sub-section (3) of section 80P, —

(i) for the words, figures and letters “section 80HH or section 80J”, the words, figures and letters “section 80HH or section 80HHA or section 80J” shall be substituted;

(ii) for the words, figures and letters “section 80HH, section 80J”, the words, figures and

letters "section 80HH, section 80HHA, section 80J" shall be substituted;

(e) in sub-section (2) of section 80QQ, —

(i) for the words, figures and letters "section 80HH or section 80J", the words, figures and letters "section 80HH or section 80HHA or section 80J" shall be substituted;

(ii) for the words, figures and letters "section 80HH, section 80J", the words, figures and letters "section 80HH, section 80HHA, section 80J" shall be substituted;

(f) in the Ninth Schedule, for the brackets, words, figures and letters "[See section 32(1) (vi) and section 32A(2) (b) (ii)]", the brackets, words, figures and letters "[See section 32(1) (vi) and section 80M(1) (a) (i)]" shall be substituted.

Wealth-tax

30. *Amendment of Act 27 of 1957.* — In the Wealth-tax Act, 1957, for Part I of Schedule I [being the Part as substituted, with effect from the 1st day of April, 1977, by sub-clause (a) of clause (6) of section 27 of the Finance Act, 1976], the following Part shall be substituted, namely: —

66 of 1976.

"PART I

(1) In the case of every individual or Hindu undivided family, not being a Hindu undivided family to which item (2) of this Part applies, —

Rate of tax

- | | |
|--|---|
| (a) where the net wealth does not exceed Rs. 2,50,000 | ½ per cent. of the net wealth; |
| (b) where the net wealth exceeds Rs. 2,50,000 but does not exceed Rs. 5,00,000 | Rs. 1,250 plus 1 per cent. of the amount by which the net wealth exceeds Rs. 2,50,000; |
| (c) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000 | Rs. 3,750 plus 2 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000; |
| (d) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000 | Rs. 13,750 plus 2½ per cent. of the amount by which the net wealth exceeds Rs. 10,00,000; |
| (e) where the net wealth exceeds Rs. 15,00,000 | Rs. 26,250 plus 3½ per cent. of the amount by which the net wealth exceeds Rs. 15,00,000; |

Provided that for the purposes of this item, —

(i) no wealth-tax shall be payable where the net wealth does not exceed Rs. 1,00,000;

(ii) the wealth-tax payable shall, in no case, exceed 5 per cent. of the amount by which the net wealth exceeds Rs. 1,00,000.

(2) In the case of every Hindu undivided family which has at least one member whose net wealth

assessable for the assessment year exceeds Rs. 1,00,000, —

Rate of tax

- | | |
|---|---|
| (a) where the net wealth does not exceed Rs. 2,50,000 | 1½ per cent. of the net wealth; |
| (b) where the net wealth exceeds Rs. 2,50,000 but does not exceed Rs. 5,00,000 | Rs. 3,750 plus 2 per cent. of the amount by which the net wealth exceeds Rs. 2,50,000; |
| (c) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000 | Rs. 8,750 plus 2½ per cent. of the amount by which the net wealth exceeds Rs. 5,00,000; |
| (d) where the net wealth exceeds Rs. 10,00,000 | Rs. 21,250 plus 3½ per cent. of the amount by which the net wealth exceeds Rs. 10,00,000; |

Provided that for the purposes of this item, —

(i) no wealth-tax shall be payable where the net wealth does not exceed Rs. 1,00,000;

(ii) the wealth-tax payable shall, in no case, exceed 5 per cent. of the amount by which the net wealth exceeds Rs. 1,00,000."

CHAPTER IV

Indirect taxes

31. *Amendment of Act 51 of 1975.* — The Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act), shall be amended in the manner specified in the Second Schedule.

32. *Amendment of Act 1 of 1944.* — The Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), shall be amended in the manner specified in the Third Schedule.

33. *Amendment of Act 58 of 1957.* — The Additional Duties of Excise (Goods of Special Importance) Act, 1957 (hereinafter referred to as the Additional Duties of Excise Act), shall be amended in the manner specified in the Fourth Schedule.

CHAPTER V

Miscellaneous

34. *Amendment of Act 61 of 1956.* — In the Khadi and Village Industries Commission Act, 1956, in Chapter V, before section 25, the following section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1962, namely: —

"24A. *Exemption from liability to pay income-tax.* — Notwithstanding anything contained in the Income-tax Act, 1961, the Commission shall not be liable to pay any income-tax on its income, profits or gains."

43 of 1961.

35. *Amendment of Act 21 of 1973.* — In section 23 of the Finance Act, 1973, for the words "four previous years", the words "six previous years" shall be substituted.

36. *Amendment of Act 38 of 1974.* — In the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974, —

(a) in section 3, —

(i) in sub-section (1), for the words, figures and letters "for the assessment year commencing on the 1st day of April, 1975, the assessment year commencing on the 1st day of April, 1976 and the assessment year commencing on the 1st day of April, 1977.", the words, figures, letters and brackets "for the assessment year commencing on the 1st day of April, 1975 and every subsequent assessment year (not being an assessment year commencing on or after the 1st day of April, 1980)." shall be substituted;

(ii) after sub-section (2), the following sub-section shall be inserted with effect from the 1st day of September, 1977, namely: —

"(3) Notwithstanding anything contained in sub-section (1), —

(a) an individual specified in sub-clause (i) of clause (a) of sub-section (2), or

(b) any person specified in clause (b) of sub-section (2) who is assessable under the Income-tax Act in respect of the total income of the individual aforesaid,

shall not be liable to make any compulsory deposit for any assessment year where, in either case, such individual is more than seventy years of age on the first day of the financial year immediately preceding that assessment year."

(b) in section 4, in sub-section (1), for clause (ii), the following clause shall be substituted, namely: —

"(ii) for the assessment year commencing on the 1st day of April, 1977 and every subsequent assessment year (not being an assessment year commencing on or after the 1st day of April, 1980), at the rates specified in Paragraph B of the Schedule."

37. *Amendment of Act 47 of 1974.* — In the Oil Industry (Development) Act, 1974, in Chapter V, before section 23, the following section shall be inserted and shall be deemed always to have been inserted, namely: —

"22A. *Exemption from liability to pay income-tax.* — Notwithstanding anything contained in the Income-tax Act, 1961, the Board shall not be liable 43 of 1961. to pay any income-tax on its income, profits or gains."

38. *Amendment of Act 8 of 1976.* — In the Voluntary Disclosure of Income and Wealth Act, 1976, with effect from the 1st day of April, 1976, —

(a) in section 14, —

(i) in sub-section (5), in the *Explanation*, for the words "For the purposes of this sub-section", the words, brackets, figure and letter "For the purposes of this sub-section and sub-section (5A)" shall be deemed to have been substituted;

(ii) after sub-section (5), the following sub-sections shall be deemed to have been inserted, namely: —

"(5A) A declarant who has not paid, in accordance with the provisions of section 5, the tax chargeable in respect of the income of the previous year or years for which the declaration has been made shall, notwithstanding anything contained in sub-section (5), be entitled to the immunity provided under sub-section (1) if, before the 1st day of January, 1978, the declarant —

(i) pays the amount of such tax remaining unpaid; and

(ii) pays simple interest at the rate of twelve per cent. per annum on the amount of such tax remaining unpaid on the 31st day of March, 1976, from the 1st day of April, 1976 to the date of payment of such tax.

(5B) The provisions of the Income-tax Act and any rules made thereunder shall, so far as may be, apply to the interest payable under sub-section (5A) as if such interest were interest payable under sub-section (2) of section 220 of that Act."

(iii) in sub-section (6), for the words, figures and brackets "in accordance with the provisions of section 5, read with sub-section (5) of this section", the words, figures, brackets and letter "in accordance with the provisions of section 5, read with sub-section (5) or, as the case may be, in accordance with the provisions of sub-section (5A)" shall be deemed to have been substituted;

(b) in section 15, —

(i) in sub-section (5), in the *Explanation*, for the words "For the purposes of this sub-section", the words, brackets, figure and letter "For the purposes of this sub-section and sub-section (5A)" shall be deemed to have been substituted;

(ii) after sub-section (5), the following sub-sections shall be deemed to have been inserted, namely: —

"(5A) A declarant —

(a) who has not paid, in accordance with the provisions of section 5, the wealth-tax chargeable in respect of the net wealth for the assessment year or years for which the declaration has been made; or

(b) who has not invested in the securities referred to in sub-section (3) of section 3 within the time specified in sub-section (4) of section 5 the sum specified in sub-section (6); or

(c) who has neither so paid such wealth-tax nor so invested such sum,

shall, notwithstanding anything contained in sub-section (5), be entitled to the immunity provided under sub-section (1), if the declarant —

(i) in a case falling under clause (a), pays before the 1st day of January, 1978 (hereafter in this sub-section referred to as the said date) the amount of such wealth-

-tax remaining unpaid and also simple interest at the rate of twelve per cent. per annum on the amount of such wealth-tax remaining unpaid on the 31st day of March, 1976, from the 1st day of April, 1976 to the date of payment of such wealth-tax;

(ii) in a case falling under clause (b), invests before the said date in the securities aforesaid the sum specified in sub-section (6) or, as the case may be, the amount which falls short of the sum required to be invested;

(iii) in a case falling under clause (c), pays before the said date the amount of such wealth-tax remaining unpaid and also simple interest at the rate of twelve per cent. per annum on the amount of wealth-tax remaining unpaid on the 31st day of March, 1976, from the 1st day of April, 1976 to the date of payment of such wealth-tax and invests before the said date in the securities aforesaid the sum specified in sub-section (6) or, as the case may be, the amount which falls short of the sum required to be invested.

(5B) The provisions of the Wealth-tax Act and any rules made thereunder shall, so far as may be, apply to the interest payable under sub-section (5A) as if such interest were interest payable under sub-section (2) of section 31 of the Wealth-tax Act.”;

(iii) in sub-section (7), for the words, figures and brackets “in accordance with the provisions of section 5, read with sub-section (5) of this section”, the words, figures, brackets and letter “in accordance with the provisions of section 5, read with sub-section (5) or, as the case may be, in accordance with the provisions of sub-section (5A)” shall be deemed to have been substituted.

39. *Amendment of Income-tax Act, etc., to provide for a new appellate authority thereunder.*—(1) The amendments directed in the Fifth Schedule, being amendments to provide for a new appellate authority under the Income-tax Act, the Wealth-tax Act, 1957, the Gift-tax Act, 1958, the Companies (Profits) Surtax Act, 1964 and the Interest-tax Act, 1974 and for matters connected therewith, shall be made in the said Acts.

27 of 1957.
18 of 1958.
7 of 1964.
45 of 1974.

(2) For the removal of doubts it is hereby declared that any action required to be taken, after the commencement of this section, in relation to any appeal disposed of by an Appellate Assistant Commissioner or a Commissioner before such commencement, under any Act referred to in sub-section (1), may be taken as if the amendments directed to be made in that Act by sub-section (1) had not been made.

(3) This section shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

40. *Power to exempt feature films, etc., from payment of excise duty.*—(1) The Central Government may, by notification in the Official Gazette, exempt retrospectively from a date not earlier than the

18th day of June, 1977, subject to such conditions as may be specified in the notification, cinematograph films, exposed, falling under Item No. 37 in the First Schedule to the Central Excises Act, from the whole or any part of the duty leviable thereon under that Act.

(2) The provisions of the Central Excises Act and the rules made thereunder shall apply in relation to any notification issued under sub-section (1) as they apply in relation to any notification issued under rule 8 of the said rules.

41. *Repeal.*—Sections 2 and 4 of the Finance Act, 1977 are hereby repealed and shall be deemed never to have been enacted. 11 of 1977.

THE FIRST SCHEDULE

(See section 2)

PART I

Income-tax and Surcharge of Income-tax

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies, —

Rates of income-tax

(1) where the total income does not exceed Rs. 8,000	Nil;
(2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000	15 per cent. of the amount by which the total income exceeds Rs. 8,000;
(3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,050 plus 18 per cent. of the amount by which the total income exceeds Rs. 15,000;
(4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 1,950 plus 25 per cent. of the amount by which the total income exceeds Rs. 20,000;
(5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 3,200 plus 30 per cent. of the amount by which the total income exceeds Rs. 25,000;
(6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 4,700 plus 40 per cent. of the amount by which the total income exceeds Rs. 30,000;
(7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 12,700 plus 50 per cent. of the amount by which the total income exceeds Rs. 50,000;
(8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000	Rs. 22,700 plus 55 per cent. of the amount by which the total income exceeds Rs. 70,000;
(9) where the total income exceeds Rs. 1,00,000	Rs. 39,200 plus 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1977 exceeds Rs. 8,000, —

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 8,000 | Nil; |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 | 18 per cent. of the amount by which the total income exceeds Rs. 8,000; |
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,260 plus 25 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 2,510 plus 30 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 4,010 plus 40 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 6,010 plus 50 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 | Rs. 16,010 plus 55 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (8) where the total income exceeds Rs. 70,000 | Rs. 27,010 plus 60 per cent. of the amount by which the total income exceeds Rs. 70,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph B

In the case of every co-operative society, —

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 10,000 | 15 per cent. of the total income; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 20,000 | Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000 |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

*Paragraph C**Sub-Paragraph I*

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies, —

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 10,000 | Nil; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 5 per cent. of the amount by which the total income exceeds Rs. 10,000; |

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000

(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000

(5) where the total income exceeds Rs. 1,00,000

Rs. 750 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;

Rs. 2,500 plus 15 per cent. of the amount by which the total income exceeds Rs. 50,000;

Rs. 10,000 plus 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, —

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 10,000 | Nil; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 600 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,350 plus 13 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (5) where the total income exceeds Rs. 1,00,000 | Rs. 8,850 plus 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Explanation. — For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority, —

Rate of income-tax

On the whole of the total income 50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph E

In the case of a company, —

Rates of income-tax

I. In the case of a domestic company, —

(1) where the company is a company in which the public are substantially interested, —

(i) in a case where the total income does not exceed Rs. 1,00,000

45 per cent. of the total income;

- (ii) in a case where the total income exceeds Rs. 1,00,000 55 per cent. of the total income;
- (2) where the company is not a company in which the public are substantially interested, —
- (i) in the case of an industrial company, —
- (a) where the total income does not exceed Rs. 2,00,000 55 per cent. of the total income;
- (b) where the total income exceeds Rs. 2,00,000 60 per cent. of the total income;
- (ii) in any other case 65 per cent. of the total income;

Provided that —

(i) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of —

(a) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000;

(ii) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000 shall not exceed the aggregate of —

(a) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000.

II. In the case of a company other than a domestic company, —

(i) on so much of the total income as consists of —

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government 50 per cent.;

(ii) on the balance, if any, of the total income 70 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194D and 195 of the Income-tax Act, tax

is to be deducted at the rates in force, deduction shall be made from the income subject to deduction at the following rates: —

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company —		
(a) where the person is resident in India —		
(i) on income by way of interest other than "Interest on securities"	10 per cent.	Nil;
(ii) on income by way of winnings from lotteries and crossword puzzles	30 per cent.	4.5 per cent.;
(iii) on income by way of insurance commission	10 per cent.	Nil;
(iv) on any other income (excluding interest payable on a tax-free security)	20 per cent.	3 per cent.;
(b) where the person is not resident in India —		
(i) on the whole income (excluding interest payable on a tax-free security)		income-tax at 30 per cent. and surcharge at 4.5 per cent. of the amount of the income,
		or
		income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;
(ii) on income by way of interest payable on a tax-free security	15 per cent.	2.25 per cent.
2. In the case of a company —		
(a) where the company is a domestic company —		
(i) on income by way of interest other than "Interest on securities"	20 per cent.	1 per cent.;
(ii) on any other income (excluding interest payable on a tax-free security)	22 per cent.	1 per cent.;
(b) where the company is not a domestic company —		
(i) on income by way of dividends payable by any domestic company	25 per cent.	Nil;
(ii) on income by way of royalty payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern.	40 per cent.	Nil;

(iii) on income by way of royalty [not being royalty of the nature referred to in sub-item (b) (ii)] payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government, —

	Income-tax	
	Rate of income-tax	Rate of surcharge
(A) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976	50 per cent.	2.5 per cent.;

(B) where the agreement is made after the 31st day of March, 1976 —

(1) on so much of the amount of such income as consists of lump sum consideration for the transfer outside India of, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, or trade mark or similar property	20 per cent.	Nil;
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(2) on the balance, if any, of such income	40 per cent.	Nil;
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(iv) on income by way of fees for technical services payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government —

(A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976	50 per cent.	2.5 per cent.
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(B) where the agreement is made after the 31st day of March, 1976.	40 per cent.	Nil;
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(v) on income by way of interest payable on a tax-free security	44 per cent.	2.2 per cent.;
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(vi) on any other income	70 per cent.	3.5 per cent.
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PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax".

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" (not being "advance tax" in respect of any income chargeable to tax under Chapter XII or section 164 of the Income-tax Act at the rates as specified

in that Chapter or section), shall be so calculated, charged, deducted or computed at the following rate or rates :—

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies, —

Rates of income-tax

(1) where the total income does not exceed Rs. 8,000	Nil;
(2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000	15 per cent. of the amount by which the total income exceeds Rs. 8,000;
(3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,050 plus 18 per cent. of the amount by which the total income exceeds Rs. 15,000;
(4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 1,950 plus 25 per cent. of the amount by which the total income exceeds Rs. 20,000;
(5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 3,200 plus 30 per cent. of the amount by which the total income exceeds Rs. 25,000;
(6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 4,700 plus 40 per cent. of the amount by which the total income exceeds Rs. 30,000;
(7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 12,700 plus 50 per cent. of the amount by which the total income exceeds Rs. 50,000;
(8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000	Rs. 22,700 plus 55 per cent. of the amount by which the total income exceeds Rs. 70,000;
(9) where the total income exceeds Rs. 1,00,000	Rs. 39,200 plus 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000;

Provided that for the purposes of this Sub-Paragraph, —

(i) no income-tax shall be payable on a total income not exceeding Rs. 10,000;

(ii) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,540, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1978 exceeds Rs. 10,000, —

Rates of income-tax

(1) where the total income does not exceed Rs. 8,000	Nil;
(2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000	18 per cent. of the amount by which the total income exceeds Rs. 8,000;
(3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,260 plus 25 per cent. of the amount by which the total income exceeds Rs. 15,000;

(4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,510 plus 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,010 plus 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
(6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,010 plus 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
(7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 16,010 plus 55 per cent. of the amount by which the total income exceeds Rs. 50,000;
(8) where the total income exceeds Rs. 70,000	Rs. 27,010 plus 60 per cent. of the amount by which the total income exceeds Rs. 70,000;

Provided that for the purposes of this Sub-Paragraph, —

- (i) no income-tax shall be payable on a total income not exceeding Rs. 10,000;
- (ii) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,690, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph B

In the case of every co-operative society, —

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	15 per cent. of the total income;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000	Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000	Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies, —

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	Nil;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	5 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 750 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,500 plus 15 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 10,000 plus 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, —

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	Nil;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	4 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 600 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,350 plus 13 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 8,850 plus 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Explanation. — For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority, —

Rates of income-tax

On the whole of the total income	50 per cent.
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Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph E

In the case of a company, —

Rates of income-tax

I. In the case of a domestic company, —

(1) where the company is a company in which the public are substantially interested, —	
(i) in a case where the total income does not exceed Rs. 1,00,000	45 per cent. of the total income;
(ii) in a case where the total income exceeds Rs. 1,00,000	55 per cent. of the total income;
(2) where the company is not a company in which the public are substantially interested, —	
(i) in the case of an industrial company, —	
(a) where the total income does not exceed Rs. 2,00,000	55 per cent. of the total income;

(b) where the total income exceeds Rs. 2,00,000	60 per cent of the total income;
(#) in any other case	65 per cent. of the total income;

Provided that —

(i) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of —

(a) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000;

(#) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of —

(a) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000.

II. In the case of a company other than a domestic company, —

(i) on so much of the total income as consists of —

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government

(#) on the balance, if any, of the total income

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART IV

[See section 2(7)(e)]

Rules for Computation of net Agricultural Income

Rule 1. — Agricultural income of the nature referred to in sub-clause (a) of clause (1) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A.

Rule 2. — Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1) of section 2

of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 34, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43, and 43A of the Income-tax Act shall, so far as may be, apply accordingly.

Rule 3. — Agricultural income of the nature referred to in sub-clause (c) of clause (1) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of the said section 23 shall apply subject to the modifications that the references to "total income" therein shall be construed as references to net agricultural income and that the words, figures and letter "and before making any deduction under Chapter VIA" shall be omitted.

Rule 4. — Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

Rule 5. — Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 6. — Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 7. — Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income:

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of section 183 of the Income-tax Act or is a member of an association of persons or body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

Rule 8. — Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

Rule 9. — (1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day

of April, 1977, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act, —

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April, 1976,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, and

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1977.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1978 or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977, is a loss, then, for the purposes of sub-section (6) of section 2 of this Act, —

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, or the 1st day of April, 1977,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1977, and

(iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1977,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1978 or the period aforesaid.

(3) Where a change has occurred in the constitution of a firm, nothing in sub-rule (1) or sub-rule (2) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act as exceeds his share of profits, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him.

(4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).

(5) Notwithstanding anything contained in this rule, no loss which has not been determined

by the Income-tax Officer under the provisions of these rules, or the rules contained in Part IV of the First Schedule to the Finance Act, 1974, or of the First Schedule to the Finance Act, 1975, or of the First Schedule to the Finance Act, 1976, shall be set off under sub-rule (1) or, as the case may be, sub-rule (2). 20 of 1974. 25 of 1975. 66 of 1976.

Rule 10. — Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be nil.

Rule 11. — The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

Rule 12. — For the purposes of computing the net agricultural income of the assessee, the Income-tax Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

THE SECOND SCHEDULE

(See section 31)

PART I

In the First Schedule to the Customs Tariff Act, —

(i) in sub-heading No. (3) of Heading No. 37.01/08, for the entry in column (3), the entry "40% *ad valorem*" shall be substituted;

(ii) in Heading No. 51.01/03, for the entry in column (3), the entry "100% *plus* Rs. 30 per kilogram" shall be substituted;

(iii) in sub-heading No. (2) of Heading No. 53.01/05, for the entry in column (3), the entry "60%" shall be substituted;

(iv) in Heading No. 56.01/04, for the entry in column (3), the entry "140%" shall be substituted;

(v) in Heading No. 56.05/06, for the entry in column (3), the entry "100% *plus* Rs. 30 per kilogram" shall be substituted;

(vi) in Heading No. 69.09, for the entry in column (3), the entry "100%" shall be substituted;

(vii) in sub-heading No. (2) of Heading No. 76.03/04, for the entry in column (3), the entry "100%" shall be substituted;

(viii) in sub-heading No. (1) of Heading No. 84.51/55, for the entry in column (3), the entry "100%" shall be substituted;

(ix) in Heading No. 85.01, —

(1) in sub-heading No. (2), for the entry in column (3), the entry "100%" shall be substituted;

(2) in sub-heading No. (3), for the entry in column (3), the entry "100%" shall be substituted;

(x) in Heading No. 85.13, for the entry in column (3), the entry "100%" shall be substituted;

(xi) in Heading No. 85.14, for the entry in column (3), the entry "100%" shall be substituted;

(xii) in sub-heading No. (1) of Heading No. 85.15, for the entry in column (3), the entry "100%" shall be substituted;

(xiii) in Heading No. 85.18/27, —

(1) in sub-heading No. (1), for the entry in column (3), the entry "100%" shall be substituted;

(2) in sub-heading No. (2), for the entry in column (3), the entry "100%" shall be substituted;

(xiv) in Heading No. 100.01, in column (2), for the words "All dutiable articles imported by a passenger as baggage", the words "All dutiable articles imported by a passenger, or a member of the crew, as baggage" shall be substituted.

PART II

Heading No.	Sub-heading No. and description of article	Rate of duty			
		Standard	U. K.	Other Preferential Areas	Duration when rates of duty are protective
(1)	(2)	(3)	(4)	(5)	(6)

In the First Schedule to the Customs Tariff Act, —

(i) for Heading No. 85.02, the following Heading shall be substituted, namely: —

"85.02 Electro-magnets; permanent magnets and articles of special materials for permanent magnets, being blanks of such magnets; electromagnetic and permanent magnet chucks, clamps, vices and similar work holders; electromagnetic clutches and couplings; electromagnetic brakes; electromagnetic lifting heads:					
(1) Not elsewhere specified		40%	—	—	—
(2) Ferrite permanent magnets and articles of ferrite for permanent magnets, being blanks of such magnets		100%	—	—	—";

(ii) for Heading No. 90.29, the following Heading shall be substituted, namely: —

"90.29 Parts or accessories suitable for use solely or principally with one or more of the articles falling within Heading No. 90.23, 90.24, 90.26, 90.27 or 90.28:					
(1) Not elsewhere specified		Rate of duty applicable to the main article of which they are parts or accessories.			
(2) Parts or accessories, containing thermionic valves or transistors or similar semiconductor devices or electronic micro-circuits or capacitors other than paper capacitors		100%	—	—	—".

THE THIRD SCHEDULE

(See section 32)

PART I

In the First Schedule to the Central Excise Act, —

(i) in Item No. 1A, for the entry in the second column against sub-item (1), the entry "Chewing gums." shall be substituted;

(ii) in Item No. 1C, for the entry in the second column against sub-Item (2), the entry "Butter, whether pasteurised or not." shall be substituted;

(iii) in Item No. 4, —

(a) under "I. Unmanufactured tobacco —", for each of the entries in the third column against sub-Items (1), (3) and (4), the entry "Twenty rupees." shall be substituted;

(b) under "II. Manufactured tobacco —", for the entries in the third column against sub-Items (1), (2), (3)(i),

(3)(ii) and (4), the entries "One hundred and seventy per cent. *ad valorem*.", "Two hundred and seventy per cent. *ad valorem*.", "Four rupees and sixty paise per thousand.", "One rupee and sixty paise per thousand." and "Two hundred and twenty per cent. *ad valorem*." shall, respectively, be substituted;

(iv) in Item No. 14C, for the entry in the third column, the entry "Fifteen per cent. *ad valorem*." shall be substituted;

(v) in Item No. 14D, for the entry in the third column, the entry "Thirty per cent. *ad valorem*." shall be substituted;

(vi) in Item No. 14F, for the entry in the third column, the entry "Twenty-five per cent. *ad valorem*." shall be substituted;

(vii) in Item No. 14F, for the entry in the third column, the entry "Sixty per cent. *ad valorem*." shall be substituted;

(viii) in Item No. 16A, for the entries in the third column against sub-Items (1), (2), (3) and (4), the entries "Fifty per cent. *ad valorem*.", "Thirty-six per cent. *ad valorem*.", "Twenty-four per cent. *ad valorem*." and "Twenty-four per cent. *ad valorem*." shall, respectively, be substituted;

(ix) in Item No. 16AA, for the entry in the third column, the entry "Five per cent. *ad valorem*." shall be substituted;

(x) in Item No. 16B, for the entry in the third column against sub-Item (ii), the entry "Twenty-seven and half per cent. *ad valorem*." shall be substituted;

(xi) in Item No. 17, for the entry in the third column against sub-Item (2), the entry "Forty per cent. *ad valorem*." shall be substituted;

(xii) in Item No. 23, for the entry in the third column against sub-Item (2), the entry "Forty per cent. *ad valorem*." shall be substituted;

(xiii) in Item No. 26, for the entry in the third column, the entry "Three hundred and fifty rupees per metric tonne." shall be substituted;

(xiv) in Item No. 26A, for the entries in the third column against sub-Items (1), (1a), (2) and (3), the entries "Five thousand six hundred rupees per metric tonne.", "Five thousand six hundred rupees per metric tonne.", "Six thousand three hundred rupees per metric tonne." and "Twenty-eight per cent. *ad valorem*." shall, respectively, be substituted;

(xv) in Item No. 26AA, for the entries in the third column against sub-Items (i), (ia), (ii), (iii), (iv) and (v), the entries "Three hundred and fifty rupees per metric tonne.", "Three hundred and fifty rupees per metric tonne.", "One thousand three hundred and fifty rupees per metric tonne.", "One thousand three hundred and fifty rupees per metric tonne.", "One thousand rupees per metric tonne plus the excise duty for the time being leviable on pig iron or steel ingots, as the case may be." and "Seven hundred and fifty rupees per metric tonne." shall, respectively, be substituted;

(xvi) in Item No. 26B, for the entries in the third column against sub-Items (1), (2) and (3), the entries "Two thousand six hundred and twenty-five rupees per metric tonne.", "Three thousand one hundred and fifty rupees per metric tonne." and "Thirty-five per cent. *ad valorem*." shall, respectively, be substituted;

(xvii) in Item No. 27, —

(a) for the entry in the second column against sub-Item (b), the following entry shall be substituted, namely: —

"Manufactures, the following, namely, plates, sheets, circles, strips, shapes and sections, in any form or size, nor otherwise specified."

(b) for each of the entries in the third column against sub-Items (a)(i), (a)(ii), (b), (c), (d), (e) and (f), the entry "Fifty per cent. *ad valorem* plus two thousand rupees per metric tonne." shall be substituted;

(xviii) in Item No. 33A, —

(a) in the second column, for the words and brackets "AND TAPE RECORDERS (INCLUDING CASSETTE RECORDERS AND TAPE DECKS)", the words and brackets "TAPE RECORDERS (INCLUDING CASSETTE RECORDERS AND TAPE DECKS) AND TAPE PLAYERS (INCLUDING CASSETTE PLAYERS)" shall be substituted;

(b) for the entry in the second column against sub-Item (3), the entry "Radiograms (including radio or

transistor sets with extra space in cabinet for fitting in record players or record changers)." shall be substituted;

(c) for each of the entries in the third column against sub-Items (2), (3) and (4), the entry "Thirty-five per cent. *ad valorem*." shall be substituted;

(vix) Item No. 47 shall be omitted;

(xx) Item No. 59 shall be omitted;

(xxi) in Item No. 68, for the entry in the third column, the entry "Two per cent. *ad valorem*." shall be substituted.

PART II

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

In the First Schedule to the Central Excises Act, —

(i) for Item No. 1D, the following Item shall be substituted, namely:—

"1D	AERATED WATERS, WHETHER OR NOT FLAVOURED OR SWEETENED AND WHETHER OR NOT CONTAINING VEGETABLE OR FRUIT JUICE OR FRUIT PULP—	
(1)	Aerated waters which are only charged with carbon dioxide gas under pressure and which contain no other added ingredient.	Twenty-five per cent. <i>ad valorem</i> .
(2)	All others	Fifty-five per cent. <i>ad valorem</i> ."

(ii) for Item No. 14, the following Item shall be substituted, namely:—

"14	PIGMENTS, COLOURS, PAINTS, ENAMELS, VARNISHES, BLACKS AND CELLULOSE LACQUERS—	
I.	(1) Pigments, colours, paints and enamels—	
	(i) Aluminium paste.	Ten per cent. <i>ad valorem</i> .
	(ii) Pigments and colours, not otherwise specified.	Five per cent. <i>ad valorem</i> .
	(2) Water paints—	
	(i) Dry distemper including cement based water paints.	Ten per cent. <i>ad valorem</i> .
	(ii) Oil-bound distemper.	Fifteen per cent. <i>ad valorem</i> .
	(iii) Water pigment finishes for leather.	Ten per cent. <i>ad valorem</i> .
	(iv) Plastic emulsion paints.	Fifteen per cent. <i>ad valorem</i> .
	(3) Oil paints and enamels—	
	(i) Tinting paste (Blue).	Ten per cent. <i>ad valorem</i> .
	(ii) Stiff paints.	Fifteen per cent. <i>ad valorem</i> .
	(iii) Ready-mixed paints and enamels.	Fifteen per cent. <i>ad valorem</i> .
	(4) Dispersed organic pigments ordinarily used for the printing of textiles, whether in the form of powder, paste, or in emulsion.	Ten per cent. <i>ad valorem</i> .
	(5) Paints and enamels, not otherwise specified.	Fifteen per cent. <i>ad valorem</i> .

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

II. Varnishes and blacks—

(i) Varnishes. Fifteen per cent. *ad valorem*.

(ii) Bituminous and coal-tar blacks. Five per cent. *ad valorem*.

III Cellulose lacquers—

(i) Nitrocellulose lacquers, clear and pigmented and nitrocellulose ancillaries in liquid, semisolid or pasty form. Fifteen per cent. *ad valorem*.

(ii) Cellulose lacquers, not otherwise specified. Fifteen per cent. *ad valorem*.

Explanation.—This Item does not include carbon black."

(iii) for Item No. 14H, the following Item shall be substituted, namely:—

"14H.	GASES, INCLUDING LIQUEFIED OR SOLIDIFIED GASES, THE FOLLOWING, NAMELY:—	
(i)	Oxygen.	Twelve per cent. <i>ad valorem</i> .
(ii)	Chlorine.	Twelve per cent. <i>ad valorem</i> .
(iii)	Ammonia.	Twelve per cent. <i>ad valorem</i> .
(iv)	Carbonic acid (Carbon dioxide).	Rupee one and twenty paise per kilogram.
(v)	Refrigerant gases, not otherwise specified, such as sulphur dioxide and freon.	Twenty-four per cent. <i>ad valorem</i> .
(vi)	Acetylene (whether in dissolved condition or not).	Twelve per cent. <i>ad valorem</i> ."

(iv) for Item No. 15A, the following Item shall be substituted, namely:—

"15A.	ARTIFICIAL OR SYNTHETIC RESINS AND PLASTIC MATERIALS AND CELLULOSE ESTERS AND ETHERS, AND ARTICLES THEREOF—	
(1)	The following artificial or synthetic resins and plastic materials, and cellulose esters and ethers, in any form, whether solid, liquid or pasty, or as powder, granules or flakes, or in the form of moulding powders, namely:—	Fifty per cent. <i>ad valorem</i> .
	(i) Condensation, Polycondensation and Polyaddition products, whether or not modified or polymerised, and whether or not linear such as Phenoplasts, Aminoplasts, Alkyds, Polyamides, Super-Polyamides, Polyesters, Polyallyl esters, Polycarbonates, Polyethers, Polyethylene imines, Polyurethanes, Epoxide resins and Silicones;	
	(ii) Polymerisation and Copolymerisation products such as Polyethylene, Polytetrahydroethylenes, Polyisobutylene, Polystyrene, Po-	

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)
	lyvinyl chloride, Polyvinyl acetate, Polyvinyl chloroacetate and other polyvinyl derivatives, Polyacrylic and Polymethacrylic derivatives and Coumarone — indene Resins; and	
	(iii) Cellulose acetate (including Cellulose diacetate or Cellulose triacetate), Cellulose acetate butyrate and Cellulose propionate, Cellulose acetate propionate, Ethylcellulose and Benzylcellulose, whether plasticised or not, and plasticised Cellulose nitrate.	
(2)	Articles made of plastics, all sorts, including tubes, rods, sheets, foils, sticks, other rectangular or profile shapes, whether laminated or not, and whether rigid or flexible, including layflat tubings, and polyvinyl chloride sheets, not otherwise specified.	Fifty per cent. <i>ad valorem</i> .
(3)	Polyurethane foam.	Seventy per cent. <i>ad valorem</i> .
(4)	Articles made of polyurethane foam.	Seventy per cent. <i>ad valorem</i> .

Explanation. — For the purpose of sub-Item (2), "plastics" means the various artificial or synthetic resins or plastic materials or cellulose esters and ethers included in sub-Item (1).;

(v) after Item No. 15C, the following Item shall be inserted, namely: —

"15D.	POLISHES AND CREAMS FOR FOOTWEAR, FURNITURE, FLOORS, LEATHER, METALS, MOTOR VEHICLES AND CLASS; SCOURING POWDERS AND PASTES.	Ten per cent. <i>ad valorem</i> .
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Explanation. — This Item does not include French Polish.";

(vi) for Item No. 18, the following Item shall be substituted, namely: —

18. I.	MAN-MADE FIBRES, OTHER THAN MINERAL FIBRES —	
	(i) Non-cellulosic	Eighty-five rupees per kilogram.
	(ii) Cellulosic.	Four rupees per kilogram.
II.	MAN-MADE FILAMENT YARNS —	
	(i) Non-cellulosic —	
	(a) other than textured.	Eighty-five rupees per kilogram.
	(b) textured.	Ninety-five rupees per kilogram.

Explanation. — "Textured Yarn" means yarn that has been processed to introduce crimps, coils, loops or curls along the length of the filaments and shall include bulked yarn and stretch yarn.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)
	(ii) Cellulosic.	Twenty rupees per kilogram.
	(iii) Metallized.	Eighty-five rupees per kilogram.
III.	CELLULOSIC SPUN YARN —	
	Yarn, in which man-made fibre of cellulosic origin predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power —	
	(i) not containing, or containing not more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content.	5.5 paise per count per kilogram.
	(ii) containing more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content.	Eighteen rupees per kilogram.
	<i>Explanation I.</i> — "Count" means the size of grey yarn (excluding any sizing material) expressed in English Count.	
	<i>Explanation II.</i> — For multiple fold yarn, "count" means the count of the basic single yarn.	
	<i>Explanation III.</i> — Where two or more of the following fibres, that is to say, —	
	(a) man-made fibre of cellulosic origin;	
	(b) cotton;	
	(c) wool or acrylic fibre, or both;	
	(d) silk (including silk noil);	
	(e) jute (including Bimlipatam jute or mesta fibre);	
	(f) man-made fibre of non-cellulosic origin, other than acrylic fibre;	
	(g) flax;	
	(h) ramie,	
	in any yarn are equal in weight, then, such one of those fibres, the predominance of which would render such yarn fall under that sub-Item or Item (hereafter in this <i>Explanation</i> referred to as the applicable sub-Item or Item), among the sub-Items and Items Nos. 18III, 18A, 18B, 18C, 18D, 18E, 18FI and 18FII, which, read with the relevant notification, if any, for the time being in force issued under the Central Excise Rules, 1944, involves the highest amount of duty, shall be deemed to be predominant in such yarn and accordingly such yarn shall be deemed to fall under the applicable sub-Item or Item, as the case may be.;	
	(vii) for Item No. 18A, the following Item shall be substituted, namely: —	
18A.	COTTON YARN, ALL SORTS —	
	Yarn, in which cotton predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power —	
	(i) not containing, or containing not more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content.	5.5 paise per count per kilogram.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(ii) containing more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content. Eighteen rupees per kilogram.

Explanation. —

(1) "Cotton yarn" shall include cotton twist and thread.

(2) Cotton yarn, twist or thread, all sorts, whether sized or unsized, in all forms including skeins, hanks, cops, cones, bobbins, pirns, spools, reels, cheeses, balls or on warp beams shall be deemed to be included under this Item.

(3) *Explanations I, II and III* under sub-Item III of Item No. 18 shall, so far as may be, apply in relation to this Item as they apply in relation to that Item.;

(viii) for Item No. 18B, the following Item shall be substituted.

"18B. WOOLLEN AND ACRYLIC SPUN YARN —

Yarn, in which wool or acrylic fibre or both predominate or predominate in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power —

(i) not containing or containing not more than one-sixth by weight of non-cellulosic fibre (other than acrylic fibre) calculated on the total fibre content. Twenty rupees per kilogram.

(ii) containing more than one-sixth by weight of non-cellulosic fibre (other than acrylic fibre) calculated on the total fibre content. Eighteen rupees per kilogram.

Explanation I. — Woollen and acrylic spun yarn shall be deemed to include woollen and acrylic knitting yarn.

Explanation II. — *Explanation III* under sub-Item III of Item No. 18 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item.;

(ix) for Item No. 18C, the following Item shall be substituted, namely: —

"18C SILK YARN, ALL SORTS —

Yarn, in which silk (including silk noil) predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power —

(i) not containing or containing not more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content. Twenty per cent. *ad valorem*.

(ii) containing more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content. Eighteen rupees per kilogram.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

Explanation. — *Explanation III* under sub-Item III of Item No. 18 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item.;

(x) for Item No. 18D, the following Item shall be substituted, namely: —

"18D. JUTE YARN, ALL SORTS —

Yarn, in which jute (including Bimlipatam jute or mesta fibre) predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power. Rupees six hundred per metric tonne

Explanation I. — "Jute yarn" shall include jute twist, thread, rope and twine.

Explanation II. — *Explanation III* under sub-Item III of Item No. 18 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item.;

(xi) for Item No. 18E, the following Item shall be substituted, namely: —

"18E. NON-CELLULOSIC SPUN YARN —

Spun (discontinuous) yarn, in which man-made fibres of non-cellulosic origin, other than acrylic fibre, predominate in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power. Twenty-four rupees per kilogram.

Explanation. — *Explanation III* under sub-Item III of Item No. 18 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item.;

(xii) after Item No. 18E, the following Item shall be inserted, namely: —

"18F. I. FLAX YARN —

Yarn, in which flax predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power —

(i) not containing or containing not more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content. 5.5 paise per count per kilogram.

(ii) containing more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content. Eighteen rupees per kilogram.

II. RAMIE YARN —

Yarn, in which ramie predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power. Eighteen rupees per kilogram.

Explanation. — *Explanations I, II and III* under sub-Item III of Item No. 18 shall, so far as may be, apply in relation to this Item as they apply in relation to that Item.;

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(xiii) in Item No. 19, —

(a) in column (2), for the portion beginning with the words "Cotton fabrics" means all varieties of fabrics and ending with the words "which are embroidered or impregnated, coated or laminated, as the case may be —", the following shall be substituted, namely: —

"Cotton fabrics" means all varieties of fabrics manufactured, either wholly or partly from cotton and includes dhoties, sarees, chadders, bedsheets, bed-spreads, counter-panes, table-cloths, embroidery in the piece, in strips or in motifs and fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials, if (i) in such fabrics cotton predominates in weight, or (ii) such fabrics contain more than 40 per cent. by weight of cotton and 50 per cent. or more by weight of non-cellulosic fibres or yarn or both:

Provided that in the case of embroidery in the piece, in strips, or in motifs and fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials, such predominance or percentages, as the case may be, shall be in relation to the base fabrics which are embroidered or impregnated, coated or laminated, as the case may be—;

(b) for sub-Item I, the following sub-Item shall be substituted, namely: —

"I. Cotton fabrics other than (i) embroidery in the piece, in strips or in motifs, and (ii) fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials.	Twenty per cent. <i>ad valorem</i> ."
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(c) for *Explanation II*, the following *Explanation* shall be substituted, namely: —

"*Explanation II*. — Where two or more of the following fibres, that is to say,

- (a) man-made fibre of cellulosic origin;
- (b) cotton;
- (c) wool;
- (d) silk (including silk noil);
- (e) jute (including Bimilipatam jute or mesta fibre);
- (f) man-made fibre of non-cellulosic origin;
- (g) flax;
- (h) ramie,

in any fabric are equal in weight then, such one of those fibres the predominance of which would render such fabric fall under that Item (hereafter in this *Explanation* referred to as the applicable Item) among the Items Nos. 19, 20, 21, 22, 22A and 22AA, which, read with the relevant notification, if any, for the time being in force issued under the Central Excise Rules, 1944, involves the highest amount of duty, shall be deemed to be predominant in such fabric

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

and accordingly such fabric shall be deemed to fall under the applicable Item."

(d) *Explanation III* shall be omitted;

(xiv) in Item No. 20, —

(a) in column (2), for the portion beginning with the words "but does not include any such fabric —" and ending with the words "shall be in relation to the base fabrics which are embroidered —", the following shall be substituted, namely: —

"in each of which silk (including silk noil) predominates in weight and which is not manufactured on handloom:

Provided that in the case of embroidery in the piece, in strips or in motifs, such predominance shall be in relation to the base fabrics which are embroidered —";

(b) the *Explanation* shall be numbered as *Explanation I* and after that *Explanation* as so numbered the following *Explanation* shall be inserted, namely: —

"*Explanation II*. — *Explanation II* under Item No. 19 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item."

(xv) in Item No. 21, —

(a) in column (2), for the portion beginning with the words "manufactured wholly of wool" and ending with the words "in relation to the base fabrics which are embroidered —", the following shall be substituted, namely: —

"in which wool predominates in weight or which contain more than 30 per cent. of wool and 50 per cent. or more of non-cellulosic fibre or yarn or both:

Provided that in the case of embroidery in the piece, in strips or in motifs, such predominance or percentages, as the case may be, shall be in relation to the base fabrics which are embroidered —";

(b) the *Explanation* shall be numbered as *Explanation I* and after that *Explanation* as so numbered the following *Explanation* shall be inserted, namely: —

"*Explanation II*. — *Explanation II* under Item No. 19 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item."

(xvi) for Item No. 22, the following Item shall be substituted, namely: —

22. MAN-MADE FABRICS —

"Man-made fabrics" means all varieties of fabrics manufactured either wholly or partly from man-made fibres or yarn and includes embroidery in the piece, in strips or in motifs and fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials, in each of which man-made

(i) cellulosic fibre or yarn, or

(ii) non-cellulosic fibre or predominates in weight:

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

Provided that in the case of embroidery in the piece, in strips or in motifs and fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials, such predominance shall be in relation to the base fabrics which are embroidered or impregnated, coated or laminated, as the case may be —

(1) Man-made fabrics other than (i) embroidery in the piece, in strips or in motifs, and (ii) fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials.

Twenty per cent. *ad valorem* plus rupees five per square metre.

(2) Embroidery in the piece, in strips or in motifs, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power.

The duty for the time being leviable on the base fabrics, if not already paid, plus twenty per cent. *ad valorem*.

(3) Fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials.

The duty for the time being leviable on the base fabrics, if not already paid, plus twenty per cent. *ad valorem*.

Explanation I. — "Base fabrics" means fabrics falling under sub-Item (1) of this Item which are subjected to the process of embroidery or which are impregnated, coated or laminated with preparations of cellulose derivatives or of other plastic materials.

Explanation II. — This Item does not include glass fabrics or fabrics falling under Item No. 19 or Item No. 21.

Explanation III. — *Explanation II* under Item No. 19 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item.

(xvii) in Item No. 22A —

(a) in column (2), for the words, brackets and figures "BUT EXCLUDING ANY SUCH MANUFACTURE —

(i) if it contains 40 per cent. or more by weight of wool; or

(ii) if it contains no wool or less than 40 per cent. by weight of wool and less than 50 per cent. by weight of jute (including Bimlipatam jute or mesta fibre) —",

the words and brackets,

"IN WHICH JUTE (INCLUDING BIMLIPATAM JUTE OR MESTA FIBRE) PREDOMINATES IN WEIGHT —"

shall be substituted;

(b) for the entry in the third column against sub-Item (2), the entry "Six hundred rupees per metric tonne." shall be substituted;

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(c) the following *Explanation* shall be inserted at the end, namely: —

"*Explanation.* — *Explanation II* under Item No. 19 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item."

(xviii) for Item No. 22AA, the following Item shall be substituted, namely: —

"22AA. (i) FLAX FABRIC, in which flax predominates in weight. Fifteen per cent. *ad valorem*.

(ii) RAMIE FABRIC, in which ramie predominates in weight. Fifteen per cent. *ad valorem*.

Explanation. — *Explanation II* under Item No. 19 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item."

(xix) for Item No. 28, the following Item shall be substituted, namely: —

"28. TIN PLATE AND TINNED, LACQUERED OR VARNISHED SHEETS INCLUDING TIN TAGGERS AND CUTTINGS OF SUCH PLATES, SHEETS OR TAGGERS —

(1) Tin plate and tinned sheets including tin taggers and cuttings of such plates, sheets or taggers.

One thousand seven hundred and fifty rupees per metric tonne.

(2) Lacquered sheets, varnished sheets, including cuttings of lacquered sheets and varnished sheets.

One thousand two hundred and fifty rupees per metric tonne."

(xx) for Item No. 30, the following Item shall be substituted, namely: —

"30. ELECTRIC MOTORS' ALL SORTS; AND PARTS THEREOF, NAMELY —

A. Motors which operate on alternating current —

1. Single phase motors,

Twenty per cent. *ad valorem*.

2. Three phase motors —

(i) for rated output not exceeding 7.5 Kw continuous rating or, in the case of short time or intermittent rated motors, its equivalent continuous rating,

Fifteen per cent. *ad valorem*.

(ii) for rated output exceeding 7.5 Kw continuous rating or, in the case of short time or intermittent rated motors, its equivalent continuous rating.

Ten per cent. *ad valorem*.

B. Motors which operate on direct current —

(i) with rated output not exceeding 7.5 Kw.

Twenty per cent. *ad valorem*.

(ii) with rated output exceeding 7.5 Kw.

Ten per cent. *ad valorem*.

C. Motors which are capable of operating on alternating current or on direct current.

Twenty per cent. *ad valorem*.

D. Parts of electric motors.

Twenty per cent. *ad valorem*.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

Explanation I. — In the case of any multi-speed motor, the highest rated output of the motor shall be deemed to be the rated output of the motor.

Explanation II. — This Item does not include motors specially designed for use in gramophones or record players and all parts of such motors.”;

(xxi) for Item No. 33, the following Item shall be substituted, namely: —

“33. ELECTRIC FANS INCLUDING REGULATORS FOR ELECTRIC FANS, ALL SORTS —

(1) Table, cabin, carriage, pedestal and air circulator fans, of a diameter not exceeding 40.6 centimetres and regulators therefor. Fifteen per cent. *ad valorem*.

(2) Electric fans, designed for use in an industrial system as parts indispensable for its operation and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose, and regulators therefor. Fifteen per cent. *ad valorem*.

(3) Electric fans, not otherwise specified, and regulators therefor. Twenty per cent. *ad valorem*.”;

(xxii) after Item No. 33E, the following Item shall be inserted, namely: —

“33F. MUSICAL SYSTEMS COMMERCIALLY KNOWN AS STEREO OR HI-FI SYSTEMS, NAMELY: —

(1) Stereo or hi-fi amplifiers. Thirty-five per cent. *ad valorem*.

(2) Speakers and speaker systems housed in acoustically designed enclosures which are ordinarily used as attachments with stereo or hi-fi systems, or with radios (including transistor sets), tuners, radiograms, gramophones (including record players) and tape recorders or players (including cassette recorders or players) having inbuilt stereo devices. Thirty-five per cent. *ad valorem*.”;

(xxiii) for Item No. 34, the following Item shall be substituted, namely: —

“34. MOTOR VEHICLES AND TRACTORS —

I. Motor vehicles —

“Motor vehicles” means all mechanically propelled vehicles, other than tractors, designed for use upon roads —

(1) Two-wheeled and three-wheeled motor vehicles. Twelve and half per cent. *ad valorem*.

(2) Motor vehicles of engine capacity not exceeding 2500 cubic centimetres —

(i) Motor vehicles with body. Seventeen and half per cent. *ad valorem*.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(ii) Other motor vehicles (including chassis whether or not with cab). Twenty per cent. *ad valorem*.

(3) Motor vehicles of engine capacity exceeding 2500 cubic centimetres. Seventeen and half per cent. *ad valorem*.

II. Tractors, including agricultural tractors. Fifteen per cent. *ad valorem*.

Explanation I. — “Motor vehicles” and “Tractors, including agricultural tractors” shall include a chassis and a trailer; but shall not include a vehicle running upon fixed rails.

Explanation II. — For the purpose of this Item, where a motor vehicle is mounted, fitted or fixed with any weight lifting or other specialised material handling equipment, then, such equipment shall not be taken into account.”;

(xxiv) in Item No. 34A, for the words “PARTS AND ACCESSORIES OF MOTOR VEHICLES, NOT OTHERWISE SPECIFIED.”, the words and brackets “PARTS AND ACCESSORIES OF MOTOR VEHICLES AND TRACTORS (INCLUDING AGRICULTURAL TRACTORS), NOT OTHERWISE SPECIFIED.” shall be substituted;

(xxv) for Item No. 37, the following Item shall be substituted, and shall be deemed to have been substituted, with effect from the 18th day of June, 1977, namely: —

“37. CINEMATOGRAPH FILMS —

I. Unexposed. Two paise per metre.

II. Exposed —

(i) News-reels and shorts not exceeding 500 metres. Fifty paise per metre.

(ii) Feature films —

Rate of duty for films which are of a length

not exceeding 4000 metres.	exceeding 4000 metres.
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(a) made wholly in black and white.	Twelve thousand rupees per print.	Fifteen thousand rupees per print.
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(b) made wholly or partly in colour.	Eighteen thousand rupees per print.	Twenty-two thousand and five hundred rupees per print.
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(iii) Advertisement shorts and films not otherwise specified —

(a) made wholly in black and white.	Four rupees per metre.
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(b) made wholly or partly in colour.	Six rupees per metre.”;
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(xxvi) for Item No. 37AA, the following Item shall be substituted, namely: —

“37AA. TAPE RECORDERS (INCLUDING CASSETTE RECORDERS AND TAPE DECKS) AND TAPE PLAYERS (INCLUDING CASSETTE PLAYERS). Thirty per cent. *ad valorem*.”;

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(xxvii) after Item No. 43, the following Items shall be inserted, namely:—

44.	WATCHES, CLOCKS AND TIME-PIECES, PRIMARILY DESIGNED TO SHOW THE TIME OF DAY.	Ten per cent. <i>ad valorem</i> .
45.	MACHINERY AND APPLIANCES FOR DETERMINATION OF WEIGHT INCLUDING PARTS OF WEIGH-BRIDGES.	Ten per cent. <i>ad valorem</i> .

Explanation.—This Item does not include scales having arms of equal length which determine weight by balancing the object against weight.”;

(xxviii) for Item No. 51A, the following Item shall be substituted, namely:—

51A.	TOOLS, THE FOLLOWING, NAMELY:—	Ten per cent. <i>ad valorem</i> .”;
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(i) Hand tools, the following:

Pliers (including cutting pliers), spanners, wrenches, files and rasps, screw drivers (including ratchet types);

(ii) Tools for working in the hand, pneumatic or with self-contained non-electric or electric motor;

(iii) Tools designed to be fitted into hand tools, machine tools or tools falling under sub-Item (ii), including dies for wire drawing, extrusion dies for metals and rock drilling bits;

(iv) Industrial knives and blades for hand or machine saws.

(xxix) after Item No. 60, the following Item shall be inserted, namely:—

61.	ELECTRIC LIGHTING FITTINGS, NAMELY:—	Ten per cent. <i>ad valorem</i> .
	SWITCHES, PLUGS AND SOCKETS, ALL KINDS; CHOKES AND STARTERS FOR FLUORESCENT TUBES.	

THE FOURTH SCHEDULE

(See section 33)

PART I

In the Additional Duties of Excise Act,—

(a) in clause (c) of section 2, for the words ‘and “rayon or artificial silk fabrics”, the words ‘and “man-made fabrics”’ shall be substituted;

(b) in sub-section (1) of section 3, for the words “rayon or artificial silk fabrics”, the words “man-made fabrics” shall be substituted.

PART II

In the First Schedule to the Additional Duties of Excise Act,—

(i) in Item No. 4, under “II. *Manufactured tobacco* —”, for the entries in the third column against sub-Items (3) (i) and (3) (ii), the entries “One rupee per thousand” and “Forty paise per thousand” shall, respectively, be substituted;

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(ii) in Item No. 19, for sub-Item I, the following sub-Item shall be substituted, namely:—

	“I. Cotton fabrics other than (i) embroidery, in the piece, in strips or in motifs and (ii) fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials.	Five per cent. <i>ad valorem</i> .”;
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(iii) in Item No. 22,—

(a) for the entry “RAYON OR ARTIFICIAL SILK FABRICS —”, the entry “MAN-MADE FABRICS —” shall be substituted;

(b) in sub-Item (1), in the second column, for the words “Rayon or artificial silk fabrics”, the words “Man-made fabrics” shall be substituted.

THE FIFTH SCHEDULE

(See section 39)

PART I

Amendments in the Income-tax Act

1. Section 2. — After clause (16), insert —

“(16A) “Commissioner (Appeals)” means a person appointed to be a Commissioner of Income-tax (Appeals) under sub-section (1) of section 117.”.

2. Section 107A, sub-section (9). — For “Appellate Assistant Commissioner”, substitute “Commissioner (Appeals)”.

3. Section 116, clause (c) and section 117, sub-section (1). — After “Commissioners of Income-tax”, insert “, Commissioners of Income-tax (Appeals)”.

4. Sections 119, 154, 177, 189, 267, 271, 271A, 275 and 295. — After “the Appellate Assistant Commissioner”, wherever it occurs, insert “or the Commissioner (Appeals)”.

5. After section 121, insert —

“121A. *Jurisdiction of Commissioners (Appeals).* — (1) Commissioners (Appeals) shall perform their functions in respect of such areas or of such persons or classes of persons or of such incomes or classes of income as the Board may direct.

(2) Where any directions issued under sub-section (1) have assigned to two or more Commissioners (Appeals), the same area or the same persons or classes of persons or the same incomes or classes of income, they shall perform their functions in accordance with any orders which the Board may make for the distribution and allocation of the work to be performed.”.

6. Section 125. —

(a) in sub-section (1), in clause (a), omit “and the Appellate Assistant Commissioner” and “and the Commissioner respectively”;

(b) in sub-section (2), for clause (a), substitute —

“(a) where such order is made under clause (a) of the said sub-section (1), references in this Act or in any rule made thereunder to the Income-tax Officer shall be deemed to be references to the Inspecting Assistant Commissioner and any provision of this Act requiring approval or sanction of the Inspecting Assistant Commissioner shall not apply.”.

7. Section 125A. — For sub-section (4), substitute —

“(4) Where an order is made under sub-section (1) and the Inspecting Assistant Commissioner exercises the powers or performs the functions of an Income-tax Officer in relation to any area, or persons or classes of persons, or incomes or classes of income, or cases or classes of cases, references in this Act or in any rule made thereunder to

the Income-tax Officer shall be construed as references to the Inspecting Assistant Commissioner and any provision of this Act requiring approval or sanction of the Inspecting Assistant Commissioner shall not apply."

8. Section 126. —

(a) after "empower Commissioners," insert "Commissioners (Appeals)";

(b) after "section 121," insert "section 121A,".

9. Section 131, sub-section (1). — For "and Commissioner", substitute "Commissioner (Appeals) and Commissioner".

10. Sections 133 and 134. — For "or the Inspecting Assistant Commissioner", wherever it occurs, substitute "the Inspecting Assistant Commissioner or the Commissioner (Appeals)".

11. Section 245. — For "or Commissioner", substitute "Commissioner (Appeals) or Commissioner".

12. Section 245A, clause (b). — After "a Commissioner," insert "a Commissioner (Appeals)".

13. Chapter XX, in the sub-heading before section 246, after "Appellate Assistant Commissioner", insert "and Commissioner (Appeals)".

14. Section 246. —

(a) renumber the section as sub-section (1) of the section and in the sub-section as so numbered,

(i) in the opening portion, for "Any assessee aggrieved by any of the following orders", substitute "Subject to the provisions of sub-section (2), any assessee aggrieved by any of the following orders";

(ii) omit clause (a) and the *Explanation*;

(b) after the sub-section as so numbered, insert —

(2) Notwithstanding anything contained in sub-section (1), any assessee aggrieved by any of the following orders (whether made before or after the appointed day) may appeal to the Commissioner (Appeals) against such order —

(a) an order against the assessee, being a company, under section 104;

(b) an order specified in clauses (c) to (e) (both inclusive) of sub-section (1) where such order is made by the Inspecting Assistant Commissioner in exercise of the powers or functions conferred on or assigned to him under section 125 or section 125A;

(c) an order made by the Inspecting Assistant Commissioner imposing a fine under sub-section (2) of section 131;

(d) an order against the assessee, being a foreign company, where the assessee denies its liability to be assessed under this Act or any order of assessment under sub-section (3) of section 143 or section 144, and the assessee objects to the amount of income assessed or to the amount of tax determined or to the amount of loss computed or to the status under which it is assessed;

(e) an order against the assessee, being a domestic company, where the assessee denies its liability to be assessed under this Act or any order of assessment under sub-section (3) of section 143 or section 144, and the assessee objects to the amount of income assessed or to the amount of tax determined or to the amount of loss computed or to the status under which it is assessed, and the amount of income so assessed or the amount of loss so computed exceeds five lakh rupees;

(f) an order of assessment under sub-section (3) of section 143 or section 144 made on the basis of directions issued by the Inspecting Assistant Commissioner under section 144B;

(g) an order imposing a penalty under clause (c) of sub-section (1) of section 271 where such penalty has been imposed with the previous approval of the Inspecting Assistant Commissioner under the proviso to clause (iii) of sub-section (1) of that section;

(h) an order made by an Inspecting Assistant Commissioner imposing a penalty under section 272A;

(i) an order made by an Income-tax Officer under the provisions of this Act in the case of such persons

or classes of persons as the Board may, having regard to the nature of the cases, the complexities involved and other relevant considerations, direct.

(3) Every appeal against an order specified in sub-section (2) which is pending immediately before the appointed day before an Appellate Assistant Commissioner or a Commissioner and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeal or matter from the stage at which it was on that day.

Provided that the appellant may demand that before proceeding further with the appeal or matter, the previous proceeding or any part thereof be reopened or that he be reheard.

Explanation. — For the purposes of this section, —

(a) "appointed day" means the date appointed under section 39 of the Finance (No. 2) Act, 1977;

(b) "domestic company" and "foreign company" shall have the same meanings as in section 80B;

(c) "status" means the category under which the assessee is assessed as "individual", "Hindu undivided family" and so on.

15. Sections 247, 248, 249, 250, 251 and 287. — After "Appellate Assistant Commissioner", wherever it occurs, insert "or, as the case may be, the Commissioner (Appeals)".

16. Section 253. —

(a) in clause (b) of sub-section (1), omit "or section 272A" and in that sub-section and sub-section (2), for "an Appellate Assistant Commissioner", substitute "an Appellate Assistant Commissioner or, as the case may be, a Commissioner (Appeals)";

(b) in sub-section (4), for "the Appellate Assistant Commissioner", at both the places where it occurs, substitute "the Appellate Assistant Commissioner or, as the case may be, the Commissioner (Appeals)".

17. Section 264, sub-section (4). —

(a) in clause (a), after "Appellate Assistant Commissioner", insert "or to the Commissioner (Appeals)" and after "in the case of an appeal", insert "to the Commissioner (Appeals) or";

(b) in clause (c), after "subject of an appeal", insert "to the Commissioner (Appeals) or".

18. Section 272A. —

(a) in sub-section (1), after "Inspecting Assistant Commissioner or", at both the places where it occurs, insert "a Commissioner (Appeals) or";

(b) in sub-section (3), after "the Commissioner", at both the places where it occurs, insert "or the Commissioner (Appeals)".

19. Section 274, sub-section (3). — After "An Appellate Assistant Commissioner", insert "or a Commissioner (Appeals)".

PART II

Amendments in the Wealth-tax Act, 1957

1. Section 2. — After clause (g), insert —

"(gg) "Commissioner (Appeals)" means a person empowered to exercise the functions of a Commissioner of Wealth-tax (Appeals) under section 9A;"

2. Section 8AA. — For sub-section (4), substitute —

"(4) Where an order is made under sub-section (1) and the Inspecting Assistant Commissioner exercises the powers or performs the functions of a Wealth-tax Officer in respect of any case or person or proceeding, references in this Act or in any rule made thereunder to the Wealth-tax Officer shall be construed as references to the Inspecting Assistant Commissioner and any provision of this Act requiring approval or sanction of the Inspecting Assistant Commissioner shall not apply."

3. After section 9, insert —

"9A. *Commissioners of Wealth-tax (Appeals).* — The Board may empower as many persons as it thinks fit to

exercise under this Act the functions of a Commissioner of Wealth-tax (Appeals), and on being so empowered the Commissioners (Appeals) shall perform their functions in respect of such areas or such persons or such classes of persons as the Board may direct, and where such directions have assigned to two or more Commissioners (Appeals) the same area or the same persons or the same classes of persons they shall perform their functions in accordance with such orders as the Board may make for the distribution and allocation of the work to be performed."

4. Section 13, sub-section (1).—For "Appellate Assistant Commissioner of Wealth-tax", substitute "Appellate Assistant Commissioner or the Commissioner (Appeals)".

5. Section 18.—

(a) in sub-section (1),—

(i) in the opening portion, after "Appellate Assistant Commissioner," insert "Commissioner (Appeals)";

(ii) in *Explanation 2(A)* and *Explanation 3*, after "Appellate Assistant Commissioner", insert "or the Commissioner (Appeals)";

(b) in sub-section (4), after "Appellate Assistant Commissioner," insert "a Commissioner (Appeals)";

(c) in sub-section (5), after "Appellate Assistant Commissioner" at both the places where it occurs, insert "or Commissioner (Appeals)".

6. Section 18A.—After "an Inspecting Assistant Commissioner", wherever it occurs, insert "or a Commissioner (Appeals)".

7. Section 22A, clause (b).—After "a Commissioner," insert "a Commissioner (Appeals)".

8. Section 23.—

(a) in sub-section (1), for "Any person", substitute "Subject to the provisions of sub-section (1A), any person";

(b) after sub-section (1), insert—

'(1A) Notwithstanding anything contained in sub-section (1), any person,—

(a) objecting to the amount of net wealth determined under this Act or objecting to the amount of wealth-tax determined as payable by him under this Act or denying his liability to be assessed under this Act, where the net wealth determined on assessment made under section 16 exceeds fifteen lakh rupees; or

(b) objecting to any penalty imposed under clause (c) of sub-section (1) of section 18 where the penalty has been imposed with the previous approval of the Inspecting Assistant Commissioner under sub-section (3) of section 18; or

(c) objecting to any assessment or order referred to in clauses (a) to (h) (both inclusive) or clause (i) of sub-section (1), where such assessment or order has been made by the Inspecting Assistant Commissioner in exercise of the powers or functions conferred on or assigned to him under section 8AA; or

(d) objecting to any penalty imposed by an Inspecting Assistant Commissioner under section 18A; or

(e) objecting to an order made by a Wealth-tax Officer in the case of such persons or classes of persons as the Board may, having regard to the nature of the cases, the complexities involved and other relevant considerations, direct,

may appeal to the Commissioner (Appeals) against the assessment or order, as the case may be, in the prescribed form and verified in the prescribed manner.

(1B) Every appeal against any assessment or order referred to in sub-section (1A) which is pending immediately before the appointed day before an Appellate Assistant Commissioner or a Commissioner and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with the appeal or matter from the stage at which it was on that day:

Provided that the appellant may demand that before proceeding further with the appeal or matter the previous proceeding or any part thereof be reopened or that he be re-heard.

Explanation.—In this sub-section, "appointed day" means the date appointed under section 39 of the Finance (No. 2) Act, 1977;

(c) in sub-sections (2), (2A), (3), (4), (5), (5A), (5B) and (6), after "Appellate Assistant Commissioner", wherever it occurs, insert "or, as the case may be, the Commissioner (Appeals)";

(d) in sub-section (3A)—

(i) after "sub-section (1)", insert "or of sub-section (1A)";

(ii) after "the Appellate Assistant Commissioner", insert "or, as the case may be, the Commissioner (Appeals)".

9. Section 24.—

(a) in sub-section (1), after "the Appellate Assistant Commissioner", insert "or the Commissioner (Appeals)" and in the same sub-section, omit "or to an order passed by the Inspecting Assistant Commissioner under section 18A,";

(b) in sub-section (2), after "Appellate Assistant Commissioner", insert "or a Commissioner (Appeals)";

(c) in sub-section (2A), after "Appellate Assistant Commissioner," at both the places where it occurs, insert "or the Commissioner (Appeals)".

10. Section 25, proviso to sub-section (1).—

(a) in clause (a), after "Appellate Assistant Commissioner", insert "or to the Commissioner (Appeals)" and after "in the case of an appeal", insert "to the Commissioner (Appeals) or";

(b) in clause (b), after "Appellate Assistant Commissioner", insert "or the Commissioner (Appeals)".

11. Section 34A, sub-section (5).—After "Appellate Assistant Commissioner", insert "Commissioner (Appeals)".

12. Sections 35 and 46.—After "the Appellate Assistant Commissioner" wherever it occurs, insert "or the Commissioner (Appeals)".

13. Section 35K, sub-section (2).—For "in sections 8, 9", substitute "in sections 8, 9, 9A".

14. Section 37, sub-section (1).—After "Appellate Assistant Commissioner", insert "Commissioner (Appeals)".

15. Section 42A, sub-section (2).—After "the Appellate Assistant Commissioner", insert "or, as the case may be, the Commissioner (Appeals)".

PART III

Amendments in the Gift-tax Act, 1958

1. Section 2.—After clause (vi), insert—

'(via) "Commissioner (Appeals)" means a person empowered to exercise the powers of a Commissioner of Gift-tax (Appeals) under section 8A;'

2. Section 7AA.—For sub-section (4), substitute—

"(4) Where an order is made under sub-section (1) and the Inspecting Assistant Commissioner exercises the powers or performs the functions of a Gift-tax Officer in respect of any case or person or proceeding under this Act, references in this Act or in any rule made thereunder to the Gift-tax Officer shall be construed as references to the Inspecting Assistant Commissioner and any provision of this Act requiring approval or sanction of the Inspecting Assistant Commissioner shall not apply."

3. After section 8, insert—

"8A. *Commissioners of Gift-tax (Appeals).*—The Board may empower as many persons as it thinks fit to exercise under this Act the functions of a Commissioner of Gift-tax (Appeals), and on being so empowered the Commissioners (Appeals) shall perform their functions in respect of such areas or such persons or such classes of persons as the Board may direct, and where such directions have assigned to two or more Commissioners (Appeals) the same areas or the same persons or the same classes of persons they shall perform their functions in accordance with such orders as the Board may make for the distribution and allocation of the work to be performed."

4. Section 12, sub-section (1).—For "the Appellate Assistant Commissioner of Gift-tax", substitute "the Commissioner (Appeals) or the Appellate Assistant Commissioner".

5. Section 17.—

(a) in sub-section (1), after "Appellate Assistant Commissioner or the Appellate Tribunal",

(b) in sub-section (4), for "Commissioner or the Appellate Tribunal", substitute "a Commissioner (Appeals), a Commissioner or the Appellate Tribunal".

6. Section 17A.—After "an Inspecting Assistant Commissioner", wherever it occurs, insert "or a Commissioner (Appeals)".

7. Section 21, sub-section (2).—After "Appellate Assistant Commissioner", insert ", the Commissioner (Appeals)".

8. Section 22.—

(a) in sub-section (1), for "Any person", substitute "Subject to the provisions of sub-section (1A), any person";

(b) after sub-section (1), insert—

"(1A) Notwithstanding anything contained in sub-section (1), any person—

(a) objecting to the value of taxable gifts determined under this Act or objecting to the amount of gift-tax determined as payable by him or denying his liability to be assessed under this Act where the value of taxable gifts determined on assessment exceeds two lakh rupees; or

(b) objecting to any assessment or order referred to in clauses (a) to (h) (both inclusive) of sub-section (1) where such assessment or order has been made by an Inspecting Assistant Commissioner in exercise of the powers or functions conferred on or assigned to him under section 7AA; or

(c) objecting to any penalty imposed under clause (c) of sub-section (1) of section 17 where the penalty has been imposed with the previous approval of the Inspecting Assistant Commissioner under sub-section (3) of section 17; or

(d) objecting to any penalty imposed by an Inspecting Assistant Commissioner under section 17A; or

(e) objecting to any order made by a Gift-tax Officer in the case of such persons or classes of persons as the Board may, having regard to the nature of the cases, the complexities involved and other relevant considerations, direct,

may appeal to the Commissioner (Appeals) against the assessment or order, as the case may be, in the prescribed form and verified in the prescribed manner:

Provided that no appeal shall lie under clause (b) of this sub-section against any order referred to in clause (f) of sub-section (1) unless the tax has been paid before the appeal is filed.

(1B) Every appeal against any assessment or order referred to in sub-section (1A) which is pending immediately before the appointed day before an Appellate Assistant Commissioner or a Commissioner and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with the appeal or matter from the stage at which it was on that day:

Provided that the appellant may demand that before proceeding further with the appeal or matter the previous proceeding or any part thereof be reopened or that he be re-heard.

Explanation.—In this sub-section, "appointed day" means the date appointed under section 39 of the Finance (No. 2) Act, 1977;

(c) in sub-sections (2), (3), (4), (5), (5A), (5B) and (6), after "Appellate Assistant Commissioner", wherever it occurs, insert "or, as the case may be, the Commissioner (Appeals)".

9. Section 23.—

(a) in sub-section (1), after "the Appellate Assistant Commissioner", insert "or the Commissioner (Appeals)" and in the same sub-section, omit "or to an order

passed by the Inspecting Assistant Commissioner under section 17A";

(b) in sub-section (2), after "Appellate Assistant Commissioner", insert "or a Commissioner (Appeals)";

(c) in sub-section (2A), after "Appellate Assistant Commissioner", at both the places where it occurs, insert "or the Commissioner (Appeals)".

10. Section 24, proviso to sub-section (1).—

(a) in clause (a), after "Appellate Assistant Commissioner", insert "or to the Commissioner (Appeals)" and for "in the case of the Appellate Tribunal", substitute "in the case of an appeal to the Commissioner (Appeals) or to the Appellate Tribunal";

(b) in clause (b), after "subject of an appeal", insert "to the Commissioner (Appeals) or".

11. Section 33A, sub-section (5).—After "Appellate Assistant Commissioner", insert ", Commissioner (Appeals)".

12. Sections 34 and 46.—After "Appellate Assistant Commissioner", wherever it occurs, insert "or the Commissioner (Appeals)".

13. Section 36, sub-section (1).—After "Appellate Assistant Commissioner", insert "the Commissioner (Appeals)".

14. Section 41A, sub-section (2).—After "the Appellate Assistant Commissioner", insert "or, as the case may be, the Commissioner (Appeals)".

PART IV

Amendments in the Companies (Profits) Surtax Act, 1964

1. Throughout the Act [except in sub-section (1) of section 3 and section 17], for "Appellate Assistant Commissioner" (except where it is preceded by "an"), substitute "Commissioner (Appeals)" and for "an Appellate Assistant Commissioner" substitute "a Commissioner (Appeals)".

2. Section 3, sub-section (1).—For "Additional Commissioner of Income-tax, Appellate Assistant Commissioner of Income-tax", substitute "Commissioner of Income-tax (Appeals), Additional Commissioner of Income-tax".

3. After section 11, insert,—

"11A. *Transfer of certain pending appeals.*—Every appeal under this Act which is pending immediately before the appointed day before an Appellate Assistant Commissioner or a Commissioner and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeal or matter from the stage at which it was on that day:

Provided that the appellant may demand that before proceeding further with the appeal or matter the previous proceeding or any part thereof be reopened or that he be re-heard.

Explanation.—In this section, "appointed day" means the date appointed under section 39 of the Finance (No. 2) Act, 1977."

4. Section 17.—

(a) in sub-section (1), omit "or Appellate Assistant Commissioner";

(b) in sub-section (4), for clauses (a), (b) and (c), substitute—

"(a) where an appeal against the order lies to the Commissioner (Appeals) but has not been made and the time within which such appeal may be made has not expired, or the assessee has not waived his right of appeal; or

(b) where the order has been made the subject of an appeal to the Commissioner (Appeals).";

(c) omit *Explanation 2*.

PART V

Amendments in the Interest-tax Act, 1974

1. Throughout the Act [except in sub-section (1) of section 3 and section 20], for "Appellate Assistant Commissioner" (except where it is preceded by "an"), substitute "Commissioner (Appeals)", and for "an Appellate Assistant Commissioner", substitute "a Commissioner (Appeals)".

2. Section 3, sub-section (1).—For "Additional Commissioner of Income-tax, Appellate Assistant Commissioner of Income-tax", substitute "Commissioner of Income-tax (Appeals), Additional Commissioner of Income-tax".

3. After section 15, insert. —

15A. Transfer of certain pending appeals.—Every appeal under this Act which is pending immediately before the appointed day before an Appellate Assistant Commissioner or a Commissioner and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeal or matter from the stage at which it was on that day:

Provided that the appellant may demand that before proceeding further with the appeal or matter the previous proceeding or any part thereof be reopened or that he be re-heard.

Explanation.—In this section, "appointed day" means the date appointed under section 39 of the Finance (No. 2) Act, 1977.

4. Section 20. —

(a) in sub-section (1), omit "or Appellate Assistant Commissioner";

(b) in sub-section (4), for clauses (a), (b) and (c) substitute —

"(a) where an appeal against the order lies to the Commissioner (Appeals) but has not been made and the time within which such appeal may be made has not expired, or the assessee has not waived his right of appeal; or

(b) where the order has been made the subject of an appeal to the Commissioner (Appeals).";

(c) omit *Explanation 2*.

Notification

LD/3003/1/78

The following Central Act, The Finance Act, 1978 (Act No. 19 of 1978) which was recently passed by the Parliament and assented to by the President of India on 12-5-1978 and published in the Gazette of India, Part II, Section I dated 12-5-1978 is hereby republished for general information of the public.

B. S. Subbanna, Under Secretary (Law).

Panaji, 8th June, 1978.

The Finance Act, 1978

ARRANGEMENT OF SECTIONS

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THE SCHEDULE.

THE FINANCE ACT, 1978

AN

ACT

to give effect to the financial proposals of the Central Government for the financial year 1978-79.

Be it enacted by Parliament in the Twenty-ninth Year of the Republic of India as follows: —

CHAPTER I

Preliminary

1. *Short title and commencement.* — (1) This Act may be called the Finance Act, 1978.

(2) Save as otherwise provided in this Act, sections 2 to 33 and section 40 shall be deemed to have come into force on the 1st day of April, 1978.

CHAPTER II

Rate of Income-tax

2. *Income-tax.* — (1) Subject to the provisions of sub-sections (2) and (3), for the assessment year

commencing on the 1st day of April, 1978, income-tax shall be charged at the rates specified in Part I of the Schedule and shall be increased,—

(a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge,
calculated in each case in the manner provided therein.

(2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the Schedule applies, where the assessee has, in the previous year, any net agricultural income, in addition to total income, and the total income exceeds ten thousand rupees, then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of charging income-tax in respect of the total income; and

(b) the income-tax chargeable shall be calculated as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income:

Provided that for the purposes of determining the amount of income-tax in accordance with this sub-clause, the provisions of clause (ii) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(ii) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income:

Provided that for the purposes of determining the amount of income-tax in accordance with this sub-clause, the provisions of clause (i) and clause (ii) of the proviso below Sub-Paragraph I or, as the case may be, Sub-paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(iii) the amount of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub-clause (ii):

Provided that where the sum so arrived at exceeds seventy per cent. of the amount by which the total income exceeds ten thousand rupees, the excess shall be disregarded;

(iv) the amount of income-tax determined in accordance with sub-clause (iii) shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or section 164 of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be. 43 of 1961.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the Schedule.

(5) Subject to the provisions of sub-section (6), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the Schedule:

Provided that in cases to which the provisions of Chapter XII or section 164 of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be.

(6) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income, in addition to total income, and the total income exceeds ten thousand rupees, then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of calculating, charging or computing such in-

come-tax or, as the case may be, "advance tax" in respect of the total income; and

(b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income:

Provided that for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (ii) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(ii) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income:

Provided that for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (i) and clause (ii) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii):

Provided that where the sum so arrived at exceeds seventy per cent. of the amount by which the total income exceeds ten thousand rupees, the excess shall be disregarded;

(iv) the amount of income-tax or "advance tax" determined in accordance with sub-clause (iii) shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax or, as the case may be, "advance tax" and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

(7) For the purposes of this section and the Schedule,—

(a) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act;

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on

the 1st day of April, 1978, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act;

(c) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income;

(d) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance);

(e) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the Schedule;

(f) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(g) all other words and expressions used in this section or in the Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

CHAPTER III

Direct Taxes

Income-tax

3. *Amendment of section 6.*—In section 6 of the Income-tax Act, in clause (1), the following *Explanation* shall be inserted at the end with effect from the 1st day of April, 1979, namely:—

Explanation.—In the case of an individual, being a citizen of India, who is rendering service outside India and who is or has been in India on leave or vacation in the previous year, the provisions of sub-clauses (b) and (c) shall apply in relation to that year as if for the words "thirty days" and "sixty days", respectively occurring in the said sub-clauses, the words "ninety days" had been substituted.

4. *Amendment of section 23.*—In section 23 of the Income-tax Act, in the second proviso to sub-

section (1), with effect from the 1st day of April, 1979, —

(a) in clause (b), for the words, figures and letters "completed after the 31st day of March, 1970", the words, figures and letters "completed after the 31st day of March, 1970 but before the 1st day of April, 1978" shall be substituted;

(b) for the words, brackets and letters "so, however, that the income in respect of any residential unit referred to in clause (a) or clause (b) is in no case a loss.", the following shall be substituted, namely: —

"(c) in the case of a building comprising one or more residential units, the erection of which is completed after the 31st day of March, 1978, for a period of five years from the date of completion of the building, be reduced by a sum equal to the aggregate of —

(i) in respect of any residential unit whose annual value as so determined does not exceed two thousand four hundred rupees, the amount of such annual value;

(ii) in respect of any residential unit whose annual value as so determined exceeds two thousand four hundred rupees, an amount of two thousand four hundred rupees,

so, however, that the income in respect of any residential unit referred to in clause (a) or clause (b) or clause (c) is in no case a loss."

5. *Amendment of section 32.* — In section 32 of the Income-tax Act, in sub-section (1), in clause (iv), for the words "twenty per cent.", the words "forty per cent." shall be substituted with effect from the 1st day of April, 1979.

6. *Amendment of section 35B.* — In section 35B of the Income-tax Act, —

(a) in sub-section (1), —

(i) in the proviso to clause (a), after the words, figures and letters "after the 28th day of February, 1973", the words, figures and letters "but before the 1st day of April, 1978" shall be inserted;

(ii) in clause (b), —

(1) in sub-clause (i), the words, figures and letters "where such expenditure is incurred before the 1st day of April, 1978" shall be inserted at the end;

(2) in sub-clause (iii), the words, figures and letters "where such expenditure is incurred before the 1st day of April, 1978" shall be inserted at the end;

(b) after sub-section (1), the following sub-section shall be inserted, namely: —

"(1A) Notwithstanding anything contained in sub-section (1), no deduction under this section shall be allowed in relation to any expenditure incurred after the 31st day of March, 1978 unless the following conditions are fulfilled, namely: —

(a) the assessee referred to in that sub-section is engaged in —

(i) the business of export of goods and is either a small-scale exporter or a holder of an Export House Certificate; or

(ii) the business of provision of technical know-how, or the rendering of services in connection with the provision of technical know-how, to persons outside India; and

(b) the expenditure referred to in that sub-section is incurred by the assessee wholly and exclusively for the purposes of the business referred to in sub-clause (i) or, as the case may be, sub-clause (ii) of clause (a).

Explanation. — For the purposes of this sub-section, —

(a) "small-scale exporter" means a person who exports goods manufactured or produced in any small-scale industrial undertaking or undertakings owned by him:

Provided that such person does not own any industrial undertaking which is not a small-scale industrial undertaking;

(b) "Export House Certificate" means a valid Export House Certificate issued by the Chief Controller of Imports and Exports, Government of India;

(c) "provision of technical know-how" has the meaning assigned to it in sub-section (2) of section 80MM;

(d) "small-scale industrial undertaking" has the meaning assigned to it in clause (2) of the *Explanation* below sub-section (2) of section 32A.

7. *Insertion of new section 35CCA.* — In the Income-tax Act, after section 35CC, the following section shall be inserted with effect from the 1st day of June, 1978, namely: —

"35CCA. *Expenditure by way of payment to associations and institutions for carrying out rural development programmes.* — (1) Where an assessee incurs any expenditure by way of payment of any sum, to an association or institution to which this section applies, to be used for carrying out any programme of rural development approved by the prescribed authority, the assessee shall be allowed a deduction of the amount of such expenditure incurred during the previous year.

(2) This section applies to any association or institution —

(a) which has as its object the undertaking of any programme of rural development; and

(b) which is for the time being approved in this behalf by the prescribed authority:

Provided that the prescribed authority shall not grant such approval for more than three years at a time.

Explanation. — For the purposes of this section, "programme of rural development" shall have the meaning assigned to it in the *Explanation* to sub-section (1) of section 35CC.

(3) Where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such expenditure under section 35C or section

35CC or section 80G or any other provision of this Act for the same or any other assessment year.

8. *Amendment of section 37.* — In section 37 of the Income-tax Act, after sub-section (3), the following sub-sections shall be inserted with effect from the 1st day of April, 1979, namely: —

‘(3A) Notwithstanding anything contained in sub-section (1) but without prejudice to the provisions of sub-section (3), where the aggregate expenditure incurred by an assessee on advertisement, publicity and sales promotion in India exceeds forty thousand rupees, so much of such aggregate expenditure as is equal to an amount calculated as provided hereunder shall not be allowed as a deduction, namely: —

(i) where such aggregate expenditure does not exceed $\frac{1}{4}$ per cent. of the turnover or, as the case may be, gross receipts of the business or profession	10 per cent. of the adjusted expenditure;
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(ii) where such aggregate expenditure exceeds $\frac{1}{4}$ per cent. but does not exceed $\frac{1}{2}$ per cent. of the turnover or, as the case may be, gross receipts of the business or profession	$12\frac{1}{2}$ per cent. of the adjusted expenditure;
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(iii) where such aggregate expenditure exceeds $\frac{1}{2}$ per cent. of the turnover or, as the case may be, gross receipts of the business or profession	15 per cent. of the adjusted expenditure;
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Explanation. — For the purposes of this sub-section, —

(a) “adjusted expenditure” means the aggregate expenditure incurred by the assessee on advertisement, publicity and sales promotion in India as reduced by so much of such expenditure as is not allowed under sub-section (1) and as further reduced by so much of such expenditure as is not allowed under sub-section (3);

(b) “turnover” and “gross receipts” mean turnover or gross receipts, as the case may be, as reduced by any discount or rebate allowed by the assessee.

(3B) Nothing contained in sub-section (3A) shall apply in relation to any expenditure incurred by an assessee on —

(i) advertisement in any small newspaper;

(ii) advertisement in any newspaper for recruitment of personnel;

(iii) the publication in any newspaper of any notice required to be published by or under any law;

(iv) the maintenance of any office for the purposes of advertisement, publicity or sales promotion;

(v) the payment of salary [as defined in clause (1) of section 17] to any employee en-

gaged in advertisement, publicity or sales promotion;

(vi) the holding of, or the participation in, any press conference, sales conference, trade convention, trade fair or exhibition;

(vii) publication and distribution of journals, catalogues or price lists;

(viii) such other items as may be prescribed.

Explanation 1. — For the purposes of clause (i), an advertisement in a newspaper shall be deemed to be an advertisement in a small newspaper, if the average circulation of such newspaper in the year in which such advertisement has been published, is certified by the prescribed authority as not exceeding fifteen thousand copies.

Explanation 2. — “Average circulation”, in relation to any newspaper, shall be taken to be the number arrived at by dividing the aggregate of the number of copies of such newspaper circulated during a year by the total number of days on which such newspaper was published in that year.

(3C) For the removal of doubts, it is hereby declared that nothing contained in sub-section (3A) shall apply in relation to expenditure in the nature of entertainment expenditure incurred by an assessee in connection with advertisement, publicity or sales promotion and such expenditure shall be governed by the provisions of sub-section (2A).

(3D) In a case where an assessee has set up an industrial undertaking for the manufacture or production of any articles, nothing in sub-section (3A) shall apply in respect of any expenditure on advertisement, publicity or sales promotion incurred by the assessee, for the purposes of the business of such undertaking, in the previous year in which such undertaking begins to manufacture or produce such articles and each of the two previous years immediately succeeding that previous year.

9. *Amendment of section 52.* — In section 52 of the Income-tax Act, in sub-section (2), in clause (b) of the proviso, the words “and the adequacy of the full value of the consideration so determined or approved is not questioned by the assessee” shall be omitted and shall be deemed always to have been omitted.

10. *Amendment of section 54.* — Section 54 of the Income-tax Act shall be renumbered and shall be deemed to have been renumbered with effect from the 1st day of April, 1974, as sub-section (1) thereof and, —

(a) in sub-section (1) as so renumbered, —

(i) after the words “for the purposes of his own or the parent's own residence”, the brackets and words “(hereafter in this section referred to as the original asset)” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974;

(ii) in clause (i), for the words “is greater than the cost of the new asset”, the words and brackets “is greater than the cost of the house

property so purchased or constructed (hereafter in this section referred to as the new asset)" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1974;

(b) after sub-section (1) as so renumbered, the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely:—

“(2) Where the transfer of the original asset is by way of compulsory acquisition under any law and the compensation awarded for such acquisition is enhanced by any court, tribunal or other authority, then,

(a) so much of the capital gain, computed under section 48 by taking the compensation as so enhanced as the full value of the consideration received or accruing as a result of such transfer, as is not excluded under sub-section (1) from being charged to tax under section 45, or

(b) the capital gain attributable to the enhancement of the compensation,

whichever is less (that which is less being hereafter in this sub-section referred to as the unadjusted capital gain), shall, if the assessee has within a period of one year before or after the date of receipt of the additional compensation purchased, or has within a period of two years after that date constructed, a house property for the purposes of his own residence (hereafter in this sub-section referred to as the relevant asset), be dealt with in the following manner, that is to say,—

(i) if the amount of the unadjusted capital gain is greater than the cost of the relevant asset, the difference between the amount of the unadjusted capital gain and the cost of the relevant asset shall be charged under section 45 as the income of the previous year in which the transfer took place; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be *nil*; or

(ii) if the amount of the unadjusted capital gain is equal to or less than the cost of the relevant asset, the unadjusted capital gain shall not be charged under section 45; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be reduced by the amount of the unadjusted capital gain.

Explanation.—For the purposes of this sub-section, sub-section (2) of section 54B and sub-section (2) of section 54D,—

(1) “additional compensation”, in relation to the transfer of any capital asset by way of compulsory acquisition under any law, means the difference between the compensation for the acquisition of such asset as enhanced by any court, tribunal or other authority and the compensation which would have been payable if such enhancement had not been made;

(2) the capital gain attributable to the enhancement by any court, tribunal or other authority of the compensation for the compulsory acquisition of any capital asset shall be—

(a) where the computation of the capital gains”, the capital gain computed under section 48 by taking the compensation as so enhanced as the full value of the consideration received or accruing as a result of the transfer results in a loss or does not result in any profits or gains chargeable to income-tax under the head “Capital gains”, the capital gain computed under section 48 by taking the compensation as so enhanced as the full value of the consideration received or accruing as a result of the transfer; and

(b) in any other case, the difference between—

(i) the capital gain computed under section 48 by taking the compensation as so enhanced as the full value of the consideration so received or accruing, and

(ii) the capital gain computed under section 48 by taking the compensation which would have been payable if such enhancement had not been made as the full value of the consideration so received or accruing.’

11. *Amendment of section 54B.*—Section 54B of the Income-tax Act shall be renumbered and shall be deemed to have been renumbered with effect from the 1st day of April, 1974, as sub-section (1) thereof and,—

(a) in sub-section (1) as so renumbered, after the words “used by the assessee or a parent of his for agricultural purposes”, the brackets and words “(hereinafter referred to as the original asset)” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974;

(b) after sub-section (1) as so renumbered, the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely:—

“(2) Where the transfer of the original asset is by way of compulsory acquisition under any law and the compensation awarded for such acquisition is enhanced by any court, tribunal or other authority, then,

(a) so much of the capital gain, computed under section 48 by taking the compensation as so enhanced as the full value of the consideration received or accruing as a result of such transfer, as is not excluded under sub-section (1) from being charged to tax under section 45, or

(b) the capital gain attributable to the enhancement of the compensation,

whichever is less (that which is less being hereinafter referred to as the unadjusted capital gain), shall, if the assessee has within a period of two years after the date of receipt of the additional compensation purchased any land for being used for agricultural purposes (herein-

after referred to as the relevant asset), be dealt with in the following manner, that is to say, —

(i) if the amount of the unadjusted capital gain is greater than the cost of the relevant asset, the difference between the amount of the unadjusted capital gain and the cost of the relevant asset shall be charged under section 45 as the income of the previous year in which the transfer took place; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase, the cost shall be *nil*; or

(ii) if the amount of the unadjusted capital gain is equal to or less than the cost of the relevant asset, the unadjusted capital gain shall not be charged under section 45; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase, the cost shall be reduced by the amount of the unadjusted capital gain.”

12. *Amendment of section 54D.* — Section 54D of the Income-tax Act shall be renumbered and shall be deemed to have been renumbered with effect from the 1st day of April, as sub-section (1) thereof and, —

(a) in sub-section (1) as so renumbered, after the words “for the purposes of the business of the said undertaking”, the brackets and words “(hereafter in this section referred to as the original asset)” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974;

(b) after sub-section (1) as so renumbered, the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely: —

“(2) Where the compensation awarded for the compulsory acquisition of the original asset is enhanced by any court, tribunal or other authority, then,

(a) so much of the capital gain, computed under section 48 by taking the compensation as so enhanced as the full value of the consideration received or accruing as a result of such transfer, as is not excluded under sub-section (1) from being charged to tax under section 45, or

(b) the capital gain attributable to the enhancement of the compensation,

whichever is less (that which is less being hereafter in this sub-section referred to as the unadjusted capital gain), shall, if the assessee has within a period of three years after the date of receipt of the additional compensation purchased any land or building or any right in any land or building or constructed any building for the purposes of shifting or re-establishing the undertaking referred to in sub-section (1) or setting up another industrial undertaking (such land, building or right being hereafter in this sub-section referred to as the relevant asset), be dealt with in the following manner, that is to say, —

(i) if the amount of the unadjusted capital gain is greater than the cost of the relevant asset, the difference between the amount of

the unadjusted capital gain and the cost of the relevant asset shall be charged under section 45 as the income of the previous year in which the transfer took place; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be *nil*; or

(ii) if the amount of the unadjusted capital gain is equal to or less than the cost of the relevant asset, the unadjusted capital gain shall not be charged under section 45; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be reduced by the amount of the unadjusted capital gain.”

13. *Amendment of section 54E.* — In section 54E [as directed to be inserted by section 13 of the Finance (No. 2) Act, 1977] of the Income-tax Act, —

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(a) in sub-section (1), —

(i) in *Explanation 1*, —

(1) in the opening portion, after the words “For the purposes of this sub-section”, the words, brackets and figure “and sub-section (3)” shall be inserted;

(2) in clause (v), the words, figures and letters “, where the investment in such shares is made before the 1st day of March, 1978” shall be inserted at the end;

(3) after clause (v), the following clause shall be inserted, namely: —

“(va) equity shares forming part of any eligible issue of capital, where the investment in such shares is made after the 28th day of February, 1978;”;

(ii) *Explanation 2* shall be renumbered as *Explanation 4* and before the *Explanation* as so renumbered, the following *Explanations* shall be inserted, namely: —

Explanation 2. — “Eligible issue of capital” shall have the meaning assigned to it in sub-section (3) of section 80CC.

Explanation 3. — An assessee shall not be deemed to have invested the full value of the consideration or any part thereof in any equity shares referred to in clause (va) of *Explanation 1*, unless the assessee has subscribed to or purchased the shares in the manner specified in sub-section (4) of section 80CC;”

(b) after sub-section (1), the following sub-sections shall be inserted, namely: —

“(1A) Where the assessee deposits after the 27th day of April, 1978 the full value of the consideration or any part thereof received or accruing as a result of the transfer of the original asset in any new asset, being a deposit referred to in clause (vi) of *Explanation 1* below sub-section (1), the cost of such new asset shall

not be taken into account for the purposes of that sub-section unless the following conditions are fulfilled, namely: —

(a) the assessee furnishes, along with the deposit, a declaration in writing, to the bank or the co-operative society referred to in the said clause (vi) with which such deposit is made, to the effect that the assessee will not take any loan or advance on the security of such deposit during a period of three years from the date on which the deposit is made;

(b) the assessee furnishes, along with the return of income for the assessment year relevant to the previous year in which the transfer of the original asset was effected or within such further time as may be allowed by the Income-tax Officer, a copy of the declaration referred to in clause (a) duly attested by an officer not below the rank of sub-agent, agent or manager of such bank or an officer of corresponding rank of such co-operative society.

(1B) Where on the fulfilment of the conditions specified in sub-section (1A), the cost of the new asset referred to in that sub-section is taken into account for the purposes of sub-section (1), the assessee shall, within a period of ninety days from the expiry of the period of three years reckoned from the date of such deposit, furnish to the Income-tax Officer a certificate from the officer referred to in clause (b) of sub-section (1A) to the effect that the assessee has not taken any loan or advance on the security of such deposit during the said period of three years.”;

(c) in sub-section (2), the following *Explanation* shall be inserted at the end, namely: —

“*Explanation.* — Where the assessee deposits after the 27th day of April, 1978 the full value of the consideration or any part thereof received or accruing as a result of the transfer of the original asset in any new asset, being a deposit referred to in clause (vi) of *Explanation 1* below sub-section (1), and such assessee takes any loan or advance on the security of such deposit, he shall be deemed to have converted (otherwise than by transfer) such deposit into money on the date on which such loan or advance is taken.”;

(d) after sub-section (2), the following sub-sections shall be inserted, namely: —

“(3) Where the transfer of the original asset is by way of compulsory acquisition under any law or where the full value of the consideration for the transfer of the capital asset is determined or approved by the Central Government or the Reserve Bank of India, and the compensation awarded for such acquisition or, as the case may be, the full value of the consideration so determined or approved is enhanced by any court, tribunal or other authority, then, so much of the capital gain, computed under section 48 by taking the compensation or consideration as so enhanced as the full value of the consideration received or accruing as a result of such transfer, as is attributable to the enhancement of the compensation or consideration (hereafter in this sub-section referred to as the unadjusted

capital gain) shall, if the assessee has, within a period of six months after the date of receipt of the additional compensation or, as the case may be, the additional consideration, invested or deposited the whole or any part of such additional compensation or consideration in any specified asset (hereafter in this section referred to as the relevant asset), be dealt with in the following manner, that is to say, —

(a) if the cost of the relevant asset is not less than the additional compensation or consideration, the whole of the unadjusted capital gain shall not be charged under section 45;

(b) if the cost of the relevant asset is less than the additional compensation or consideration, so much of the unadjusted capital gain as bears to the unadjusted capital gain the same proportion as the cost of acquisition of the relevant asset bears to the additional compensation or consideration shall not be charged under section 45.

Explanation. — For the purposes of this sub-section, —

(i) “additional compensation” shall have the meaning assigned to it in clause (1) of the *Explanation* to sub-section (2) of section 54;

(ii) “additional consideration”, in relation to the transfer of any capital asset the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, means the difference between the amount of consideration for such transfer as enhanced by any court, tribunal or other authority and the amount of consideration which would have been payable if such enhancement had not been made;

(iii) “cost”, in relation to any relevant asset, being a deposit referred to in clause (vi) of *Explanation 1* below sub-section (1), means the amount of such deposit;

(iv) the capital gain attributable to the enhancement by any court, tribunal or other authority of the compensation for the compulsory acquisition of any capital asset or of the consideration for the transfer of any capital asset as determined or approved by the Central Government or the Reserve Bank of India shall be deemed to be so much of the capital gain arising from the transfer of the capital asset as bears to the whole of the capital gain as computed under section 48 by taking the compensation or consideration as so enhanced as the full value of the consideration received or accruing as a result of the transfer, the same proportion as the amount of additional compensation or consideration bears to the compensation or consideration as so enhanced.

(4) Where the relevant asset is transferred, or converted (otherwise than by transfer) into money, within a period of three years from the date of its acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such relevant asset as provided in clause (a) or, as the case may be, clause (b), sub-section (3) shall be deemed to be income chargeable under the head “Capital gains” relat-

ing to capital assets other than short-term capital assets of the previous year in which the relevant asset is transferred or converted (otherwise than by transfer) into money.

Explanation.—Where the assessee deposits after the 27th day of April, 1978, the whole or any part of the additional compensation or, as the case may be, the additional consideration referred to in sub-section (3) in any relevant asset, being a deposit referred to in clause (vi) of *Explanation 1* below sub-section (1), and such assessee takes any loan or advance on the security of such deposit, he shall be deemed to have converted (otherwise than by transfer) such deposit into money on the date on which such loan or advance is taken.

(5) Where the assessee deposits the whole or any part of the additional compensation or, as the case may be, the additional consideration referred to in sub-section (3) in any relevant asset, being a deposit referred to in clause (vi) of *Explanation 1* below sub-section (1), the provisions of sub-sections (1A) and (1B) shall apply in relation to such deposit as they apply in relation to the deposit referred to in the said sub-sections.

(6) Where the cost of the equity shares referred to in clause (va) of *Explanation 1* below sub-section (1) is taken into account for the purposes of clause (a) or clause (b) of sub-section (1) or clause (a) or clause (b) of sub-section (3), a deduction with reference to such cost shall not be allowed under section 80CC.

14. *Amendment of section 72A.*—In section 72A [as directed to be inserted by section 15 of the Finance (No. 2) Act, 1977] of the Income-tax Act, after sub-section (2) and before the *Explanation*, the following sub-section shall be inserted, namely:—

“(3) Where a company owning an industrial undertaking or a ship proposes to amalgamate with any other company and such other company submits the proposed scheme of amalgamation to the specified authority and that authority is satisfied, after examining the scheme and taking into account all relevant facts, that the conditions referred to in sub-section (1) would be fulfilled if such amalgamation is effected in accordance with such scheme or, as the case may be, in accordance with such scheme as modified in such manner as that authority may specify, it shall intimate such other company that, after the amalgamation is effected in accordance with such scheme or, as the case may be, such scheme as so modified, it would make (unless there is any material change in the relevant facts) a recommendation to the Central Government under sub-section (1).”

15. *Amendment of section 80A.*—In section 80A of the Income-tax Act, sub-section (4) shall be omitted with effect from the 1st day of April, 1979.

16. *Amendment of section 80C.*—In section 80C of the Income-tax Act, with effect from the 1st day of April, 1979,—

(a) for sub-section (1), the following sub-section shall be substituted, namely:—

“(1) In computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, an amount calculated, with reference to the aggregate of the sums specified in sub-section (2), at the following rates, namely:—

(a) where such aggregate does not exceed Rs. 5,000	The whole of such aggregate;
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(b) where such aggregate exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 5,000 plus 50 per cent. of the amount by which such aggregate exceeds Rs. 5,000;
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(c) where such aggregate exceeds Rs. 10,000	Rs. 7,500 plus 40 per cent. of the amount by which such aggregate exceeds Rs. 10,000.”;
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(b) in sub-section (4), in clauses (ii) and (iv), for the words “twenty thousand rupees”, the words “thirty thousand rupees” shall be substituted.

17. *Insertion of new section 80CC.*—In the Income-tax Act, after section 80C, the following section shall be inserted, namely:—

‘80CC. *Deduction in respect of investment in certain new shares.*—(1) Where an assessee, being—

(a) an individual, or

(b) a Hindu undivided family, or

(c) an association of persons or a body of individuals consisting only of husband and wife governed by the system of community of property in force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu,

has acquired in the previous year (being a previous year relevant to the assessment year commencing on the 1st day of April, 1979 or any subsequent assessment year), out of his income chargeable to tax, equity shares forming part of any eligible issue of capital, he shall, in accordance with and subject to the provisions of this section, be allowed a deduction in the computation of his total income of an amount equal to fifty per cent. of the cost of such shares to him.

Explanation.—Where in any previous year the assessee has acquired any shares referred to in this sub-section and has, within a period of six months from the end of that previous year paid the whole or a part of the amount, if any, remaining unpaid on such shares, the amount so paid shall be deemed to have been paid by the assessee towards the cost of such shares in that previous year.

(2) Where the aggregate cost to the assessee of the shares referred to in sub-section (1) which are acquired by him in the previous year exceeds ten thousand rupees, the deduction under that sub-section shall be allowed only with reference to such of those shares (being shares the aggregate cost whereof to the assessee does not exceed ten thousand rupees) as are specified by him in this behalf.

(3) For the purposes of this section, "eligible issue of capital" means an issue of equity shares which satisfies the following conditions, namely:—

(a) the issue is made by a public company formed and registered in India with the main object of carrying on the business of —

(i) construction, manufacture or production of any article or thing, not being an article or thing specified in the list in the Eleventh Schedule; or

(ii) providing long-term finance for construction or purchase of houses in India for residential purposes:

Provided that in the case of a public company formed and registered in India with the main object of carrying on the business referred to in sub-clause (ii), such company is approved by the Central Government for the purposes of this section;

(b) the issue is an issue of capital made by the company for the first time;

(c) the shares forming part of the issue are offered for subscription to the public;

(d) such other conditions as may be prescribed:

Provided that in the case of a company which had originally been incorporated as a private company but has become a public company under the provisions of the Companies Act, 1956, an issue of equity shares made by it for the first time after it has become a public company shall not be regarded as an eligible issue of capital, if —

(i) such company had declared, distributed or paid any dividend when it was a private company; or

(ii) any of the shares forming part of such issue is offered for subscription at a premium.

Explanation 1. — If any question arises as to whether any issue of equity shares would constitute an eligible issue of capital for the purposes of this section, the question shall be referred to the Central Government whose decision thereon shall be final.

Explanation 2. — In this sub-section and sub-section (4), "public company" shall have the meaning assigned to it in section 3 of the Companies Act, 1956.

(4) The deduction under sub-section (1) shall not be allowed unless the assessee has —

(i) subscribed to the shares in pursuance of an offer for subscription to the public made by the public company or in pursuance of a reservation or an option in his favour by reason of his being a promoter of the company; or

(ii) purchased the shares from a person who is specified as an underwriter in respect of the issue of such shares in pursuance of clause 11 of Part I of Schedule II to the Companies Act, 1956 and who has acquired such shares by virtue of his obligation as such underwriter.

(5) If any equity shares, with reference to the cost of which a deduction is allowed under sub-section (1), are sold or otherwise transferred by the assessee to any person at any time within a period of five years from the date of their acquisition, an amount equal to fifty per cent. of the cost to the assessee of the shares so sold or otherwise transferred shall be deemed to be the income of the assessee of the previous year in which the shares are so sold or transferred and shall be chargeable to tax accordingly.

Explanation. — A person shall be treated as having acquired any shares on the date on which his name is entered in relation to those shares in the register of members of the company.

(6) Where a deduction is claimed and allowed under sub-section (1) with reference to the cost of any equity shares, the cost of such shares shall not be taken into account for the purposes of section 54E.

18. *Amendment of section 80P.* — In section 80P of the Income-tax Act, in sub-section (2), for clause (b), the following clause shall be substituted with effect from the 1st day of April, 1979, namely: —

"(b) in the case of a co-operative society, being a primary society engaged in supplying milk raised by its members to —

(i) a federal milk co-operative society; or

(ii) the Government or a local authority; or

(iii) a Government company, as defined in section 617 of the Companies Act, 1956 or a corporation established by or under a Central, State or Provincial Act (being a company or corporation engaged in supplying milk to the public),

the whole of the amount of profits and gains of such business;"

19. *Amendment of section 155.* — In section 155 of the Income-tax Act, —

(a) after sub-section (7), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely: —

"(7A) Where in the assessment for any year, the capital gain arising from the transfer of a capital asset, being a transfer by way of compulsory acquisition under any law, or a transfer the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, is computed under section 48 and the compensation for such acquisition or the consideration for such transfer is enhanced or further enhanced by any court, tribunal or other authority, the computation or, as the case may be, computations made earlier shall be deemed to have been wrongly made and the Income-tax Officer shall, notwithstanding anything contained in this Act, recompute in accordance with section 48 the capital gain arising from such transfer by taking the compensation or the consideration as enhanced or further enhanced, as the case may be, to be the full value of the consideration received or accru-

ing as a result of such transfer and shall make the necessary amendment; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which the additional compensation or consideration was received by the assessee.”;

(b) in sub-section (8), for the words and figures “under the provisions of section 54”, the words, brackets and figures “under the provisions of sub-section (1) of section 54” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1974;

(c) after sub-section (8), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely:—

“(8A) Where in the assessment for any year, a capital gain arising from the transfer by way of compulsory acquisition under any law of any such capital asset as is referred to in section 54 is charged to tax and if the compensation for such acquisition is enhanced or further enhanced, as the case may be, by any court, tribunal or other authority, and the assessee purchases, within a period of one year after the date of receipt of the additional compensation, or constructs, within a period of two years after that date, a house property for the purposes of his own residence, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of capital gain not chargeable to tax under the provisions of sub-section (2) of section 54; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which the additional compensation was received by the assessee.”;

(d) in sub-section (9), for the words, figures and letter “under the provisions of section 54B”, the words, brackets, figures and letter “under the provisions of sub-section (1) of section 54B” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1974;

(e) after sub-section (9), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely:—

“(9A) Where in the assessment for any year, a capital gain arising from the transfer by way of compulsory acquisition under any law of any such capital asset as is referred to in section 54B is charged to tax and if the compensation for such acquisition is enhanced or further enhanced, as the case may be, by any court, tribunal or other authority, and within a period of two years after the receipt of the additional compensation, the assessee purchases any land for being used for agricultural purposes, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of capital gain not chargeable to tax under the provisions of sub-section (2) of section 54B; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which the additional compensation was received by the assessee.”;

tion (7) of that section being reckoned from the end of the previous year in which the additional compensation was received by the assessee.”;

(f) in sub-section (10), for the words, figures and letter “under the provisions of section 54D”, the words, brackets, figures and letter “under the provisions of sub-section (1) of section 54D” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1974;

(g) sub-section (10) shall be renumbered and shall be deemed to have been renumbered with effect from 1st day of April, 1974 as clause (a) of that sub-section and after clause (a) as so renumbered, the following clause shall be inserted and shall be deemed to have been inserted with effect from that date, namely:—

“(b) Where in the assessment for any year, a capital gain arising from the transfer by way of compulsory acquisition of any such capital asset as is referred to in section 54D is charged to tax and if the compensation for such acquisition is enhanced or further enhanced, as the case may be, by any court, tribunal or other authority, and within a period of three years after the date of receipt of the additional compensation, the assessee purchases any land or building or any right in any land or building or constructs any building for the purpose of shifting or re-establishing the undertaking referred to in sub-section (1) of that section or setting up any other industrial undertaking, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of capital gain not chargeable to tax under the provisions of sub-section (2) of section 54D; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which the additional compensation was received by the assessee.”;

(h) in sub-section (10A) [as directed to be inserted by section 23 of the Finance (No. 2) Act, 1977], for the words, figures and letter “under the provisions of section 54E”, the words, brackets, figures and letter “under the provisions of sub-section (1) of section 54E” shall be substituted; 29 of 1977.

(i) after the said sub-section (10A), the following sub-section shall be inserted, namely:—

“(10B) Where in the assessment for any year, a capital gain arising from the transfer, being a transfer by way of compulsory acquisition or a transfer the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, of any capital asset, not being a short-term capital asset, is charged to tax and if the compensation or, as the case may be, consideration for such transfer is enhanced or further enhanced, as the case may be, by any court, tribunal or other authority, and within a period of six months after the receipt of the additional compensation or consideration, the assessee invests or deposits the whole or any part of the additional compensation or consideration in any specified

asset referred to in *Explanation 1* of sub-section (1) of section 54E, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of capital gain not chargeable to tax under the provisions of section (3) of section 54E; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which the additional compensation or consideration was received by the assessee.”;

(j) the following *Explanation* shall be inserted at the end and shall be deemed to have been so inserted with effect from the 1st day of April, 1974, namely:—

‘Explanation.— For the purposes of this section,—

(a) “additional compensation” shall have the meaning assigned to it in clause (1) of the *Explanation* to sub-section (2) of section 54;

(b) “additional consideration”, in relation to the transfer of any capital asset the consideration for which was determined or approved by the Central Government or the Reserve Bank of India means the difference between the amount of consideration or other authority and the amount of consideration which would have been payable if such enhancement had not been made.’.

20. *Amendment of section 193.*— In section 193 of the Income-tax Act, in the proviso, after clause (ia), the following clauses shall be inserted, namely:—

“(ib) any interest payable on National Development Bonds; or”.

21. *Insertion of new section 194BB.*— After section 194B of the Income-tax Act, the following section shall be inserted, namely:—

“194BB.— *Winnings from horse race.*— Any person, being a bookmaker or a person to whom a licence has been granted by the Government under any law for the time being in force for horse racing in any race course or for arranging for wagering or betting in any race course, who is responsible for paying to any person any income by way of winnings from any horse race in an amount exceeding two thousand five hundred rupees shall, at the time of payment thereof, deduct income-tax thereon at the rates in force:

Provided that no deduction shall be made under this section from any payment made before the 1st day of June, 1978.”.

22. *Amendment of section 208.*— In section 208 of the Income-tax Act, in sub-section (1), in clause (b), for the words, brackets and figures “sub-section (3) of section 212”, the word, figures and letter “section 209A” shall be substituted with effect from the 1st day of June, 1978.

23. *Amendment of section 209.*— In section 209 of the Income-tax Act, with effect from the 1st day of June, 1978,—

(a) in sub-section (1), for clause (c), the following clause shall be substituted, namely:—

“(c) in cases where an estimate (including a revised estimate) is sent by the assessee under section 209A or section 212, the total income so estimated shall, for the purposes of calculation of tax under this section, be substituted for the total income referred to in clause (a);”;

(b) in sub-section (2),—

(i) in clause (a), in the opening portion, after the words “in cases”, the words, brackets, figures and letter “where the assessee sends a statement under sub-section (1) of section 209A or” shall be inserted;

(ii) in clause (b), for the words, brackets, figures and letter “in cases where an estimate is sent by the assessee under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (3A) of section 212”, the words, brackets, figures and letter “in cases where an estimate (including a revised estimate) is sent by the assessee under section 209A or section 212” shall be substituted.

24. *Insertion of new section 209A.*— In the Income-tax Act, after section 209, the following section shall be inserted with effect from the 1st day of June, 1978, namely:—

“209A. *Computation and payment of advance tax by assessee.*— (1) Every person shall, in each financial year, before the date on which the first instalment, or where he has not previously been assessed by way of regular assessment under this Act, before the date on which the last instalment, of advance tax is due in his case under sub-section (1) of section 211, if his current income is likely to exceed the amount specified in sub-section (2) of section 208, send to the Income-tax Officer—

(a) where he has been previously assessed by way of regular assessment under this Act, a statement of advance tax payable by him computed in the manner laid down in clause (a) or, as the case may be, sub-clause (i) of clause (d) of sub-section (1) of section 209, or

(b) where he has not previously been assessed by way of regular assessment under this Act, an estimate of—

(i) the current income, and

(ii) the advance tax payable by him on the current income calculated in the manner laid down in section 209,

and shall pay such amount of advance tax as accords with the statement or, as the case may be, estimate in equal instalments on the dates applicable in his case under section 211.

(2) Where an assessee who is required to send a statement under clause (a) of sub-section (1) estimates at any time before the date on which the first instalment of advance tax is due in his case under sub-section (1) of section 211 that, by reason of his current income being likely to be less than the income on which advance tax is payable by him under sub-section (1) or for any other reason, the amount of advance tax computed in the manner laid down in section 209 on the current

income would be less than the amount of advance tax payable by him under sub-section (1), he may send to the Income-tax Officer, in lieu of such statement, an estimate of —

(i) the current income, and

(ii) the advance tax payable by him on the current income calculated in the manner laid down in section 209,

and shall pay such amount of advance tax as accords with his estimate in equal instalments on the dates applicable in his case under section 211.

(3) Where an assessee who has sent a statement under clause (a) of sub-section (1) estimates at any time before the last instalment of advance tax is due in his case that, by reason of his current income being likely to be less than the income on which advance tax is payable by him under sub-section (1) or for any other reason, the amount of advance tax computed in the manner laid down in section 209 on the current income would be less than the amount of advance tax payable by him under sub-section (1), he may, at his option, send to the Income-tax Officer an estimate of —

(i) the current income, and

(ii) the advance tax payable by him on the current income calculated in the manner laid down in section 209,

and shall pay such amount of advance tax as accords with his estimate in equal instalments on such of the dates applicable in his case under section 211 as have not expired, or in one sum if only the last of such dates has not expired.

(4) In the case of any assessee who is liable to pay advance tax under sub-section (1) or sub-section (2) or, as the case may be, sub-section (3), if, by reason of the current income being likely to be greater than the income on which the advance tax so payable by him has been computed or for any other reason, the amount of advance tax computed in the manner laid down in section 209 on the current income (which shall be estimated by the assessee) exceeds the amount of advance tax so payable by him by more than 33-1/3 per cent. of the latter amount, he shall, at any time before the date on which the last instalment of advance tax is payable by him, send to the Income-tax Officer an estimate of —

(i) the current income, and

(ii) the advance tax payable by him on the current income calculated in the manner laid down in section 209,

and shall pay such amount of advance tax as accords with his estimate on such of the dates applicable in his case under section 211 as have not expired, by instalments which may be revised according to sub-section (5):

Provided that in a case where the Commissioner is satisfied that, having regard to the nature of the business carried on by the assessee and the date of expiry of the previous year in respect of such business, it will be difficult for the assessee to furnish the estimate required to be furnished by him in accordance with the provisions of this sub-section before the date on which the last instalment of advance tax is due in his case, he may, if the assessee pays the advance tax which he is

liable to pay under sub-section (1) or sub-section (2) or, as the case may be, sub-section (3) before such date, extend the date for furnishing such estimate up to a period of thirty days immediately following the last date of the previous year in respect of that business and, where the date is so extended, the assessee shall pay, on or before the date as so extended, the amount by which the advance tax already paid by him falls short of the advance tax payable in accordance with his estimate.

(5) The assessee may send a revised estimate of the advance tax payable by him before any one of the dates specified in section 211 and adjust any excess or deficiency in respect of any instalment already paid in a subsequent instalment or in subsequent instalments.

(6) Every statement or estimate under this section shall be sent in the prescribed form and verified in the prescribed manner.

Explanation. — For the purposes of this section and section 212 "current income", in relation to the advance tax payable by an assessee during any financial year, means the total income of the assessee [exclusive of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2, if any] of the period which would be the previous year for the assessment year immediately following that financial year.

25. *Amendment of section 211.* — In section 211 of the Income-tax Act, in sub-section (1), with effect from the 1st day of June, 1978, —

(a) in the opening portion, for the words and figures "Subject to the provisions of this section and of section 212", the words, figures and letter "Subject to the provisions of this section and of sections 209A and 212" shall be substituted;

(b) for the *Explanation*, the following *Explanation* shall be substituted, namely: —

Explanation. — In this sub-section, "total income" means, —

(a) in a case where the advance tax is paid by the assessee in accordance with the statement sent by him under sub-section (1) of section 209A or in accordance with an order of the Income-tax Officer under section 210, the total income with reference to which the advance tax payable has been calculated in such statement or order;

(b) in a case where the advance tax is paid in accordance with an estimate (including a revised estimate) made by the assessee under section 209A or section 212, the total income with reference to which the advance tax is so estimated,

as reduced, in either case, by the amount of capital gain and income referred to in sub-clause (ix) of clause (24) of section 2, if any, included therein.

26. *Amendment of section 212.* — In section 212 of the Income-tax Act, with effect from the 1st day of June, 1978, —

(a) in sub-section (1), for the words, brackets and figures "by reason of his total income [exclu-

sive of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2, if any] of the period which would be the previous year for the immediately following assessment year (such total income being, hereafter in this section, referred to as current income)", the words "by reason of his current income" shall be substituted;

(b) sub-section (3) shall be omitted.

27. *Amendment of section 215.*—In section 215 of the Income-tax Act, in sub-section (1), for the words and figures "advance tax under section 212 on the basis of his own estimate", the words, figures, letter and brackets "advance tax under section 209A or section 212 on the basis of his own estimate (including revised estimate)" shall be substituted with effect from the 1st day of June, 1978.

28. *Amendment of section 216.*—In section 216 of the Income-tax Act, in clause (a), for the words, brackets, figures and letter "under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (3A) of section 212", the words, figures and letter "under section 209A or section 212" shall be substituted with effect from the 1st day of June, 1978.

29. *Amendment of section 217.*—In section 217 of the Income-tax Act, with effect from the 1st day of June, 1978,—

(a) in sub-section (1),—

(i) for the portion beginning with the words "the Income-tax Officer finds that any such person" and ending with the words "twelve per cent. per annum", the following shall be substituted, namely:—

"the Income-tax Officer finds—

(a) that any such person as is referred to in clause (a) of sub-section (1) of section 209A has not sent the statement referred to in that clause or the estimate in lieu of such statement referred to in sub-section (2) of that section; or

(b) that any such person as is referred to in clause (b) of sub-section (1) of section 209A has not sent the estimate referred to in that clause,

simple interest at the rate of twelve per cent. per annum";

(ii) for the words "the said sub-section", the words, brackets and figures "the said sub-section (1) or sub-section (2)" shall be substituted;

(b) in sub-section (1A),—

(i) after the words "the Income-tax Officer finds that", the words, brackets, figures and letter "any person who is required to send an estimate under sub-section (4) of section 209A or" shall be inserted;

(ii) for the words "the said sub-section", the words, brackets, figures and letter "the said sub-section (4) or, as the case may be, sub-section (3A)" shall be substituted.

30. *Substitution of new section for section 218.*—For section 218 of the Income-tax Act, the following

section shall be substituted with effect from the 1st day of June, 1978, namely:—

"218. *When assessee deemed to be in default.*—

(1) If any assessee has sent,—

(a) under sub-section (1) of section 209A, a statement, or

(b) under section 209A or section 212, an estimate or a revised estimate,

of the advance tax payable by him, but does not pay any instalment in accordance therewith on the date or dates specified in section 211, he shall be deemed to be an assessee in default in respect of such instalment or instalments.

(2) If any assessee does not pay on the specified date any instalment of advance tax that he is required to pay under section 210 and does not, before the date on which any such instalment as is not paid becomes due, send under sub-section (1) or sub-section (2) of section 212 an estimate or a revised estimate of the advance tax payable by him, he shall be deemed to be an assessee in default in respect of such instalment or instalments.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), an assessee shall not be deemed to be in default in respect of any amount of which the payment is deferred under section 213 until after the date communicated by him to the Income-tax Officer under that section."

31. *Amendment of section 273.*—In the Income-tax Act, with effect from the 1st day of June, 1978, section 273 shall be renumbered as sub-section (2) thereof and—

(1) before sub-section (2) as so renumbered, the following sub-section shall be inserted, namely:—

"(1) If the Income-tax Officer, in the course of any proceedings in connection with the regular assessment for any assessment year, is satisfied that any assessee—

(a) has furnished under clause (a) of sub-section (1) of section 209A a statement of the advance tax payable by him which he knew or had reason to believe to be untrue, or

(b) has without reasonable cause failed to furnish a statement of the advance tax payable by him in accordance with the provisions of clause (a) of sub-section (1) of section 209A,

he may direct that such person shall, in addition to the amount of tax, if any, payable by him, pay by way of penalty a sum—

(i) which, in the case referred to in clause (a), shall not be less than ten per cent. but shall not exceed one and a half times the amount by which the tax actually paid during the financial year immediately preceding the assessment year under the provisions of Chapter XVII-C falls short of—

(1) seventy-five per cent. of the assessed tax as defined in sub-section (5) of section 215, or

(2) the amount which would have been payable by way of advance tax if the assessee had furnished a correct and complete statement in accordance with the provisions of clause (a) of sub-section (1) of section 209A,

whichever is less;

(ii) which, in the case referred to in clause (b), shall not be less than ten per cent. but shall not exceed one and a half times of seventy-five per cent. of the assessed tax as defined in sub-section (5) of section 215.”;

(2) in sub-section (2) as so renumbered, —

(a) for clause (a), the following clause shall be substituted, namely: —

“(a) has furnished under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (5) of section 209A, or under sub-section (1) or sub-section (2) of section 212, an estimate of the advance tax payable by him which he knew or had reason to believe to be untrue, or”;

(b) in clause (aa), after the words “has furnished”, the words, brackets, figures and letter “under sub-section (4) of section 209A or” shall be inserted;

(c) in clause (b), for the words, brackets and figures “sub-section (3) of section 212”, the words, brackets, letters and figures “clause (b) of sub-section (1) of section 209A” shall be substituted;

(d) in clause (c), for the words, brackets, figures and letter “sub-section (3A) of section 212”, the words, brackets, figures and letters “sub-section (4) of section 209A or sub-section (3A) of section 212” shall be substituted;

(e) for sub-clause (2) of clause (i), the following sub-clause shall be substituted, namely: —

“(2) where a statement under clause (a) of sub-section (1) of section 209A was furnished by the assessee or where a notice under section 210 was issued to the assessee, the amount payable under such statement or, as the case may be, such notice,”;

(f) for clause (iii), the following clause shall be substituted, namely: —

“(iii) which, in the case referred to in clause (c), shall not be less than ten per cent. but shall not exceed one and a half times the amount by which —

(a) where the assessee has sent a statement under clause (a), or an estimate under clause (b), of sub-section (1) of section 209A, or an estimate in lieu of a statement under sub-section (2) of that section, the tax payable in accordance with such statement or estimate; or

(b) where the assessee was required to pay advance tax in accordance with the notice issued to him under section 210, the tax payable under such notice,

falls short of seventy-five per cent. of the assessed tax as defined in sub-section (5) of section 215.”;

(g) in the *Explanation*, for the words, brackets, figures and letter “proviso to sub-section (3A) of section 212”, the words, brackets, figures and letters “proviso to sub-section (4) of section 209A or, as the case may be, proviso to sub-section (3A) of section 212” shall be substituted.

32. *Consequential amendments to certain sections.* — The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, namely: —

(a) in sub-clause (ii) of clause (37A) of section 2 and in clause (a) of sub-section (1) of section 197, for the figures and letter “194B”, the figures and letters “194B, 194BB,” shall be substituted;

(b) in sections 198, 199, 200, 202, 203, 204 and 205, for the word, figures and letter “section 194B,” the words, figures and letters “section 194B, section 194BB,” shall be substituted.

Interest-tax

33. *Amendment of Act 45 of 1974.* — In the Interest-tax Act, 1974, in sub-section (2) of section 6, for the words, figures and letters “before the 1st day of August, 1974”, the words, figures and letters “before the 1st day of August, 1974 or after the 28th day of February, 1978” shall be substituted with effect from the 1st day of April, 1979.

CHAPTER IV

Indirect Taxes

34. *Amendment of Act 51 of 1975.* — In the First Schedule to the Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act), —

(i) after the existing entry in column (3), against sub-heading No. (2) of Heading No. 37.01/08, the following *Explanation* shall be inserted, namely: —

“*Explanation.* — For the purposes of this sub-heading, where a film is designed with a view to different vertical sections thereof being exposed separately, its length shall be deemed to be the aggregate of the lengths of all such sections.”;

(ii) in Heading No. 51.01/03, for the entry in column (3), the entry “200% plus Rs. 30 per kilogram” shall be substituted.

35. *Auxiliary duties of customs.* — (1) In the case of goods mentioned in the First Schedule to the Customs Tariff Act, or in that Schedule as amended from time to time, there shall be levied and collected as an auxiliary duty of customs an amount equal to twenty per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962 (hereinafter referred to as the Customs Act). 52 of 1962.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1979, except as respects things done or omitted to be done before such cesser; and section

6 of the General Clauses Act, 1897, shall 10 of 1897. apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The auxiliary duties of customs referred to in sub-section (1) shall be in addition to any duties of customs chargeable on such goods under the Customs Act, or any other law for the time being in force.

(4) The provisions of the Customs Act, and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations, as the case may be.

36. *Amendment of Act 1 of 1944.* — In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), in the First Schedule, —

(i) in Item No. 8, the *Explanation* shall be numbered as *Explanation I* and after the *Explanation* as so numbered, the following *Explanation* shall be inserted, namely: —

“Explanation II. — This Item does not include —

(a) base mineral oils (suitable for use in the manufacture of lubricating oils and greases) including mineral oils commonly known as Transformer oil base stock or Transformer oil feed stock; and

(b) lubricating oils including spindle oils, flushing oils and jute batching oils.”;

(ii) in Item No. 10, the *Explanation* shall be numbered as *Explanation I* and after the *Explanation* as so numbered, the following *Explanation* shall be inserted, namely: —

“Explanation II. — This Item does not include —

(a) base mineral oils suitable for use in the manufacture of lubricating oils and greases; and

(b) lubricating oils including axle oil.”;

(iii) in Item No. 11A, sub-item (4) shall be re-numbered as sub-item (5) and before sub-item (5) as so renumbered, the following sub-item shall be inserted, namely: —

“(4) (a) Base mineral oils (suitable for use in the manufacture of lubricating oils and greases) including mineral oils commonly known as Transformer oil base stock or Transformer oil feed stock;

Three thousand and five hundred rupees per metric tonne.

(b) Lubricating oils (including spindle oils, flushing oils, jute batching oils and axle oil) and lubricating greases;

Three thousand and five hundred rupees per metric tonne.”

(iv) after Item No. 11C, the following Items shall be inserted, namely: —

“11D. COAL (EXCLUDING LIGNITE), AND COKE NOT ELSEWHERE SPECIFIED. Ten rupees per metric tonne.

11E. ELECTRICITY. Two paise per kilowatt-hour.”;

(v) in Item No. 18, after sub-item III, the following sub-item shall be inserted, namely: —

“IV. NON-CELLULOSIC WASTES, ALL SORTS. Nine rupees per kilogram.”;

Explanation. — This Item includes only wastes arising in, or in relation to, the manufacture of man-made fibres (other than mineral fibres) and man-made filament yarns.

(vi) in Item No. 19 III, for the entry in the third column, the entry “The duty for the time being leviable on the base fabrics, if not already paid, plus thirty per cent. *ad valorem*.” shall be substituted;

(vii) in Item No. 22(3), for the entry in the third column, the entry “The duty for the time being leviable on the base fabrics, if not already paid, plus thirty per cent. *ad valorem*.” shall be substituted;

(viii) in Item No. 22B, for the entry in the third column, the entry “Thirty per cent. *ad valorem*.” shall be substituted;

(ix) in Item No. 34, —

(a) for the words “MOTOR VEHICLES AND TRACTORS —”, the words “MOTOR VEHICLES AND TRACTORS, INCLUDING TRAILERS —” shall be substituted;

(b) after sub-item II, the following sub-item shall be inserted, namely: —

“III. Trailers. Twelve and half per cent. *ad valorem*.”;

(c) for *Explanation I*, the following *Explanation* shall be substituted, namely: —

“Explanation I. — “Motor vehicle”, “Tractor, including agricultural tractor” and “Trailer” shall include a chassis; but shall not include a vehicle running upon fixed rails.”;

(x) for Item No. 34A, the following Item shall be substituted, namely: —

“34A. PARTS AND ACCESSORIES, NOT ELSEWHERE SPECIFIED, OF MOTOR VEHICLES AND TRACTORS, INCLUDING TRAILERS. Twenty per cent. *ad valorem*.”;

Explanation I. — The expression “Motor vehicles” has the meaning assigned to it in Item No. 34.

Explanation II. — The expression “Tractors” shall include agricultural tractors.

(xi) in Item No. 68, for the entry in the third column, the entry "Five per cent. *ad valorem*." shall be substituted.

37. *Special duties of excise.* — (1) In the case of goods chargeable with a duty of excise under the Central Excises Act as amended from time to time, read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable, there shall be levied and collected a special duty of excise equal to five per cent. of the amount so chargeable on such goods.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1979, except as respects things done or omitted to be done before such cesser, and section 6 of the General Clauses Act, 1897, 10 of 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The special duties of excise referred to in sub-section (1) shall be in addition to any duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the special duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules, as the case may be.

38. *Discontinuance of salt duty.* — For the year beginning on the 1st day of April, 1978, no duty under the Central Excises Act or the Customs Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

CHAPTER V

Miscellaneous

39. *Amendment of Act 6 of 1898.* — In the First Schedule to the Indian Post Office Act, 1898, —

(a) for the sub-heading "Letters" and the entries thereunder, the following shall be substituted, namely: —

"Letters"

For a weight not exceeding ten grams 25 paise.

For every ten grams or fraction thereof, exceeding ten grams 15 paise."

(b) for the sub-headings "Post cards", "Book, Pattern and Sample packets" and "Registered Newspapers" and the entries under those sub-headings, the following shall be substituted, namely: —

"Post cards (not being Post cards containing printed communication)"

Single 15 paise.

Reply 30 paise.

Post cards containing printed communication

For a post card 20 paise.

Explanation. — A post card shall be deemed to contain a printed communication, if any matter (except the name and address of, and other particulars relating to, the sender and the place and date of despatch) is recorded by printing or by cyclostyling or by any other mechanical process, not being typewriting, on any part of the post card except the righthand half of the address-side thereof.

Book, Pattern and Sample packets

For the first fifty grams or fraction thereof 25 paise.

For every additional twenty-five grams or fraction thereof, in excess of fifty grams 15 paise.

Registered Newspapers

For a weight not exceeding fifty grams 2 paise.

For a weight exceeding fifty grams but not exceeding one hundred grams 5 paise.

For every additional one hundred grams or fraction thereof, exceeding one hundred grams 10 paise.

In the case of more than one copy of the same issue of a registered newspaper being carried in the same packet —

for a weight not exceeding one hundred grams 5 paise;

for every additional one hundred grams or fraction thereof, in excess of one hundred grams 10 paise:

Provided that such packet shall not be delivered at any addressee's residence but shall be given to a recognised agent at the Post Office."

40. *Amendment of Act 38 of 1974.* — In the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974, —

(a) in section 4, —

(A) in sub-section (1), —

(1) in clause (i), the word "and", occurring at the end, shall be omitted;

(2) for clause (ii), the following clauses shall be substituted, namely: —

"(ii) for the assessment year commencing on the 1st day of April, 1977 and the assessment year commencing on the 1st day of April, 1978, at the rates specified in Paragraph B of the Schedule; and

(iii) for the assessment year commencing on the 1st day of April, 1979, at the rates specified in Paragraph C of the Schedule."

(B) in sub-section (3), —

(1) in clause (a), for the portion beginning with the words "in a case where the Income-tax Officer" and ending with the words and

figures "section 212 of that Act", the following shall be substituted, namely:—

"in a case where a statement is sent by the person under clause (a) of sub-section (1) of section 209A of the Income-tax Act in the financial year immediately preceding that assessment year or where the Income-tax Officer has made an order under sub-section (1) or sub-section (3) of section 210 of that Act requiring the person to pay advance tax during the financial year immediately preceding that assessment year and the person has not sent an estimate under section 209A or, as the case may be, section 212 of that Act";

(2) in clause (b), for the words, brackets, figures and letter "sub-section (1) or sub-section (2) or sub-section (3) or sub-section (3A) of section 212", the words, figures and letter "section 209A or section 212" shall be substituted;

(b) in section 5, in clause (a), for the word and figures "section 211", the words, figures, brackets and letter "section 211 or sub-section (4) of section 209A" shall be substituted;

(c) in the Schedule, for the proviso, the following shall be substituted, namely:—

"Paragraph C

- | | |
|--|---|
| (i) where the current income exceeds Rs. 15,000 but does not exceed Rs. 25,000 | 4.5 per cent. of the current income; |
| (ii) where the current income exceeds Rs. 25,000 but does not exceed Rs. 35,000 | Rs. 1,125 plus 11 per cent. of the amount by which the current income exceeds Rs. 25,000; |
| (iii) where the current income exceeds Rs. 35,000 but does not exceed Rs. 70,000 | Rs. 2,225 plus 12.5 per cent. of the amount by which the current income exceeds Rs. 35,000; |
| (iv) where the current income exceeds Rs. 70,000 | Rs. 6,600 plus 15 per cent. of the amount by which the current income exceeds Rs. 70,000; |

Provided that—

(a) in a case falling under Paragraph A or Paragraph B, where the current income exceeds Rs. 15,000 but does not exceed Rs. 15,620, the compulsory deposit shall in no case exceed the amount by which the current income exceeds Rs. 15,000;

(b) in a case falling under Paragraph C, where the current income exceeds Rs. 15,000 but does not exceed Rs. 15,710, the compulsory deposit shall in no case exceed the amount by which the current income exceeds Rs. 15,000;

(c) where the amount of compulsory deposit calculated in accordance with the foregoing provisions is less than Rs. 100, it shall not be necessary for the taxpayer concerned to make such deposit."

THE SCHEDULE

(See section 2)

PART I

Income-tax and surcharge on income-tax

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 8,000 | Nil; |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 | 15 per cent. of the amount by which the total income exceeds Rs. 8,000; |
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,050 plus 18 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 1,950 plus 25 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 3,200 plus 30 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 4,700 plus 40 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 | Rs. 12,700 plus 50 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000 | Rs. 22,700 plus 55 per cent. of the amount by which the total income exceeds Rs. 70,000; |
| (9) where the total income exceeds Rs. 1,00,000 | Rs. 39,200 plus 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000; |

Provided that for the purposes of this Sub-Paragraph,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 10,000;

(ii) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,540, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1978 exceeds Rs. 10,000,—

Rates of income-tax

- | | |
|---|---|
| (1) where the total income does not exceed Rs. 8,000 | Nil; |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 | 18 per cent. of the amount by which the total income exceeds Rs. 8,000; |

(3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000

Rs. 1,260 plus 25 per cent. of the amount by which the total income exceeds Rs. 15,000;

(4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000

Rs. 2,510 plus 30 per cent. of the amount by which the total income exceeds Rs. 20,000;

(5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000

Rs. 4,010 plus 40 per cent. of the amount by which the total income exceeds Rs. 25,000;

(6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000

Rs. 6,010 plus 50 per cent. of the amount by which the total income exceeds Rs. 30,000;

(7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000

Rs. 16,010 plus 55 per cent. of the amount by which the total income exceeds Rs. 50,000;

(8) where the total income exceeds Rs. 70,000

Rs. 27,010 plus 60 per cent. of the amount by which the total income exceeds Rs. 70,000;

Provided that for the purposes of this Sub-Paragraph, —

(i) no income-tax shall be payable on a total income not exceeding Rs. 10,000;

(ii) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,690, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph B

In the case of every co-operative society, —

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000 15 per cent. of the total income;

(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000;

(3) where the total income exceeds Rs. 20,000 Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies, —

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000 Nil;

(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 5 per cent. of the amount by which the total income exceeds Rs. 10,000;

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 Rs. 750 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;

(4) where the total amount exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 Rs. 2,500 plus 15 per cent. of the amount by which the total income exceeds Rs. 50,000;

(5) where the total income exceeds Rs. 1,00,000

Rs. 10,000 plus 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, —

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000 Nil;

(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 4 per cent. of the amount by which the total income exceeds Rs. 10,000;

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 Rs. 600 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;

(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 Rs. 2,350 plus 13 per cent. of the amount by which the total income exceeds Rs. 50,000;

(5) where the total income exceeds Rs. 1,00,000 Rs. 8,850 plus 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Explanation. — For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the income-tax Act.

Paragraph D

In the case of every local authority, —

Rate of income-tax

On the whole of the total income 50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph E

In the case of a company, —

Rates of income-tax

I. In the case of a domestic company, —

(1) where the company is a company in which the public are substantially interested, —

(i) in a case where the total income does not exceed Rs. 1,00,000 45 per cent. of the total income;

(ii) in a case where the total income exceeds Rs. 1,00,000 55 per cent. of the total income;

(2) where the company is not a company in which the public are substantially interested, —

(i) in the case of an industrial company, —

(a) where the total income does not exceed Rs. 2,00,000 55 per cent. of the total income;

- (b) where the total income exceeds Rs. 2,00,000 60 per cent. of the total income;
 (ii) in any other case 65 per cent. of the total income;

Provided that —

(i) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of —

(a) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000;

(ii) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of —

(a) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000.

II. In the case of a company other than a domestic company, —

(i) on so much of the total income as consists of —

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government 50 per cent.;

(ii) on the balance, if any, of the total income 70 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction at the following rates: —

	Income-tax	
	Rate of income-tax	Rate of surcharge

1. In the case of a person other than a company

(a) where the person is resident in India —

(i) on income by way of interest other than "Interest on securities" 10 per cent. Nil;

	Income-tax	
	Rate of income-tax	Rate of surcharge
(ii) on income by way of winnings from lotteries and cross-word puzzles	30 per cent.	4.5 per cent.;
(iii) on income by way of winnings from horse races	30 per cent.	4.5 per cent.;
(iv) on income by way of insurance commission	10 per cent.	Nil;
(v) on any other income (excluding interest payable on a tax-free security)	20 per cent.	3 per cent.;
(b) where the person is not resident in India. —		

(i) on the whole income (excluding interest payable on a tax-free security)

income-tax at 30 per cent. and surcharge at 4.5 per cent. of the amount of the income,

OR

income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;

(ii) on income by way of interest payable on a tax-free security 15 per cent. 2.25 per cent.

2. In the case of a company —

(a) where the company is a domestic company —

(i) on income by way of interest other than "Interest on securities" 20 per cent. 1 per cent.;

(ii) on any other income (excluding interest payable on a tax-free security) 22 per cent. 1 per cent.;

(b) where the company is not a domestic company —

(i) on income by way of dividends payable by any domestic company 25 per cent. Nil;

(ii) on income by way of royalty payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern 40 per cent. Nil;

(iii) on income by way of royalty [not being royalty of the nature referred to in sub-item (b) (ii)] payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government, —

(A) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976

50 per cent. 2.5 per cent.;

	Income-tax	
	Rate of income-tax	Rate of surcharge
(B) where the agreement is made after the 31st day of March, 1976—		
(i) on so much of the amount of such income as consists of lump sum consideration for the transfer outside India of, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, or trade mark or similar property	20 per cent.	Nil;
(2) on the balance, if any, of such income	40 per cent.	Nil;
(iv) on income by way of fees for technical services payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government—		
(A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976	50 per cent.	2.5 per cent;
(B) where the agreement is made after the 31st day of March, 1976	40 per cent.	Nil;
(v) on income by way of interest payable on a tax-free security	44 per cent.	2.2 per cent;
(vi) on any other income	70 per cent.	3.5 per cent.

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax".

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" (not being "advance tax" in respect of any income chargeable to tax under Chapter XII or section 164 of the Income-tax Act at the rates as specified in that Chapter or section), shall be so calculated, charged, deducted or computed at the following rate or rates:—

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

- | | |
|---|---|
| (1) where the total income does not exceed Rs. 8,000 | Nil; |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 | 15 per cent. of the amount by which the total income exceeds Rs. 8,000; |

- | | |
|--|--|
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,050 plus 18 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 1,950 plus 25 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 3,200 plus 30 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 4,700 plus 40 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 | Rs. 12,700 plus 50 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000 | Rs. 22,700 plus 55 per cent. of the amount by which the total income exceeds Rs. 70,000; |
| (9) where the total income exceeds Rs. 1,00,000 | Rs. 39,200 plus 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000; |

Provided that for the purposes of this Sub-Paragraph,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 10,000;

(ii) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,540, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1979 exceeds Rs. 10,000,—

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 8,000 | Nil; |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 | 18 per cent. of the amount by which the total income exceeds Rs. 8,000; |
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,260 plus 25 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 2,510 plus 30 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 4,010 plus 40 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 6,010 plus 50 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 | Rs. 16,010 plus 55 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (8) where the total income exceeds Rs. 70,000 | Rs. 27,010 plus 60 per cent. of the amount by which the total income exceeds Rs. 70,000; |

Provided that for the purposes of this Sub-Paragraph, —

- (i) no income-tax shall be payable on a total income not exceeding Rs. 10,000;
- (ii) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,690, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph B

In the case of every co-operative society, —

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 10,000 | 15 per cent. of the total income; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 20,000 | Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies, —

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 10,000 | Nil; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 5 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 750 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,500 plus 15 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (5) where the total income exceeds Rs. 1,00,000 | Rs. 10,000 plus 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, —

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 10,000 | Nil; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000; |

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000

Rs. 600 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;

(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000

Rs. 2,350 plus 13 per cent. of the amount by which the total income exceeds Rs. 50,000;

(5) where the total income exceeds Rs. 1,00,000

Rs. 8,850 plus 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Explanation. — For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority, —

Rate of income-tax

On the whole of the total income 50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph E

In the case of a company, —

Rates of income-tax

I. In the case of a domestic company, —

(1) where the company is a company in which the public are substantially interested, —

(i) in a case where the total income does not exceed Rs. 1,00,000 45 per cent. of the total income;

(ii) in a case where the total income exceeds Rs. 1,00,000 55 per cent. of the total income;

(2) where the company is not a company in which the public are substantially interested, —

(i) in the case of an industrial company, —

(a) where the total income does not exceed Rs. 2,00,000 55 per cent. of the total income;

(b) where the total income exceeds Rs. 2,00,000 60 per cent. of the total income;

(ii) in any other case 65 per cent. of the total income;

Provided that —

(i) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of —

(a) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000;

(ii) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of —

(a) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000.

II. In the case of a company other than a domestic company, —

(i) on so much of the total income as consists of —

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government 50 per cent.;

(ii) on the balance, if any, of the total income 70 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART IV

[See section 2(7)(e)]

Rules for computation of net agricultural income

Rule 1. — Agricultural income of the nature referred to in sub-clause (a) of clause (1) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A.

Rule 2. — Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 34, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43 and 43A of the Income-tax Act shall, so far as may be, apply accordingly.

Rule 3. — Agricultural income of the nature referred to in sub-clause (c) of clause (1) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head

"Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of the said section 23 shall apply subject to the modifications that the references to "total income" therein shall be construed as references to net agricultural income and that the words, figures and letter "and before making any deduction under Chapter VIA" shall be omitted.

Rule 4. — Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

Rule 5. — Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 6. — Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 7. — Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income:

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of section 183 of the Income-tax Act or is a member of an association of persons or a body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

Rule 8. — Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

Rule 9. — (1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1978, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act, —

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous

year relevant to the assessment year commencing on the 1st day of April, 1976 or the 1st day of April, 1977,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1977, and

(iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1977,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1978.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1979 or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977 or the 1st day of April, 1978, is a loss, then, for the purposes of sub-section (6) of section 2 of this Act, —

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977 or the 1st day of April, 1978,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1976 or the 1st day of April, 1977 or the 1st day of April, 1978,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1977 or the 1st day of April, 1978,

(iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1977, to the extent, if any, such loss has not been set off

against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1978, and

(v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1978,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1979 or the period aforesaid.

(3) Where a change has occurred in the constitution of a firm, nothing in sub-rule (1) or sub-rule (2) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act as exceeds his share of profits, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him.

(4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).

(5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Income-tax Officer under the provisions of these rules or the rules contained in Part IV of the First Schedule to the Finance Act, 1974, or of the First Schedule to Finance Act, 1975, or of the First Schedule to the Finance Act, 1976, or of the First Schedule to the Finance (No. 2) Act, 1977, shall be set off under sub-rule (1) or, as the case may be, sub-rule (2).

20 of 1974.
25 of 1975.
66 of 1976.
29 of 1977.

Rule 10.—Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be nil.

Rule 11.—The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

Rule 12.—For the purposes of computing the net agricultural income of the assessee, the Income-tax Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.